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FRIDAY MAY 15 1998

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Pressure mounts on Suharto to quit

Rioters kill five in Jakarta as military waits for president to return to capital today

By Sander Thoenes in Jakarta

Rioters ruled the streets of Jakarta yesterday, killing at least five people and increasing the pressure on President Suharto to stand down. He has cut short a visit to Egypt and is due home today.

Thousands of people plundered and set fire to shopping centres across the city, attacking shop owners of Chinese descent and breaking into their houses.

Police and military moved in tanks and armoured personnel carriers to protect some shopping malls, government buildings and main road crossings but made little effort to stop the looting elsewhere.

Embassies in Jakarta warned foreigners not to travel to Indonesia and some foreign companies ordered their employees out of the country. Several Japanese companies closed manufacturing plants. Outside the capital a brewery, 80 per cent owned by Heineken, the Dutch brewery, was ransacked and looted.

The offices of the minister of social affairs, Mr Suharto's eldest daughter, were gutted, and rioters targeted cars produced by enterprises owned by two of her brothers.

The military commander for Jakarta ordered his troops to crack down on rioters, raising expectations that the army would move in overnight.

Away from the capital there were large but mostly peaceful protests.

In Cairo on Wednesday, Mr Suharto appeared to toy with resigning. "I could guide from behind," he said in off-the-cuff comments which suggested he saw a new role for himself as a senior statesman. His remarks boosted the rupiah in initial trading yesterday morning but it slumped to Rp11,700 as rioting spread through the capital and Indonesia's foreign minister, Ali Alatas, denied Mr Suharto was stepping down.

Also speaking in Cairo, he said: "He [Suharto] has said on several occasions before that if the people do not have any trust in me any more then of course that is their right, and he would not oppose it as long as it is done constitutionally."

Amien Rais, a leading opposition leader, yesterday formed a "people's council" with leading business executives, artists and academics who demanded Mr Suharto's resignation and called on the military to avoid violence.

Opposition leaders Megawati Sukarnoputri and Abdurrahman Wahid were among several who had been invited but were absent, possibly because travel in the city was dangerous.

Casualties in Jakarta were low, given the extent of the damage. Many Chinese victims hid in their homes and shops. Hasan, an accountant, said Chinese shopowners in his neighbourhood had set up vigilante groups to defend their shops with knives and sticks. "Where is the police when you need them? They do nothing," he said. "These rioters are so stupid. Where will they buy their food in a few days when all the shops are destroyed?"

Much of the rioting tapered off in the evening when it started to rain, but it is likely to flare up again today unless the military regains control of the city.

However, senior military officers indicated they would wait for orders from President Suharto, who was due in Jakarta early this morning, rather than take the initiative. General Wiranto, the chief commander of the armed forces, insisted the military controlled the city and opted not to impose a curfew.

President Suharto praying at the tomb of the unknown soldier yesterday, during his visit to Egypt.

Economy hit, Page 10
The Indonesian endgame, Page 15

Eight killed in West Bank and Gaza clashes

Israeli troops open fire as violent protests mark 50 years of Palestinian exile

By Judy Dempsey in Ramallah

Israeli troops yesterday killed eight Palestinians during violent protests across the West Bank and Gaza marking 50 years of Palestinian exile since the establishment of Israel.

The violence was the worst since September 1996 when 61 Palestinians and 15 Israelis died in clashes after Israel opened an exit to an archaeological tunnel close to the Al-Aqsa mosque in east Jerusalem.

It reflected growing frustration among Palestinians with the 14-month stalemate in the peace process. Many demonstrators yesterday blamed Benjamin Netanyahu, the Israeli prime minister, for blocking progress.

Mr Netanyahu was yesterday due to meet Madeleine Albright, US secretary of state, for a second round of talks in Washington. The US wants Israel to hand over 13.1 per cent of remaining occupied territory to the Palestinians in a second Israeli troop pullback from the West Bank.

But Mr Netanyahu is insisting on a smaller amount for security reasons. And he said again yesterday that Israel alone would decide its security needs.

Three troop pullbacks were supposed to be completed by the middle of this year in an agreement signed by Mr Netanyahu in January 1997 and guaranteed by Washington.

Yesterday's demonstrations, organised by the Palestinian Authority, were called to mourn the "nakba" or "catastrophe" of 1948 when an estimated 700,000 Palestinians fled, or were driven out of, their homes during the Arab-Israeli war.

Large posters called for the right of return for Palestinians living in exile. There are about 3.5m refugees scattered throughout the Middle East. Other posters had the words: "Enough of expulsion, of occupation."

At noon, Voice of Palestine radio broadcast a siren signalling the start of a two-minute silence across the West Bank and Gaza. After the national anthem was played, it broadcast a statement from Yassir Arafat, Palestinian Authority president.

"We are asking that we turn over the page of the first nakba and for ever," he said. "We are asking for the return of the exiled to the homeland and to build an independent Palestinian state on our land ... and to celebrate in our eternal capital al-Quds al-Sharif [Jerusalem]," added Mr Arafat.

Shortly afterwards, violence broke out in Gaza and several West Bank cities. Youths threw stones as Palestinian security forces tried to restore calm.

Emad Tirawiya, director-general of the Palestinian health ministry, said two Palestinians were killed at the Erez border checkpoint between Israel and Gaza. A third Palestinian was killed close to a Jewish settlement near the town of Khan Yunis, as Israeli troops used rubber-coated metal bullets.

The PA, already under pressure from Washington and Israel to crack down on terrorism, does not want the clashes or violence to continue.

Mr Arafat is anxious to show Washington – and Israel – the PA can control the streets despite the pent-up frustration which surfaced yesterday.

Palestinian police use planks to beat back youths yesterday near Gaza's Erez border crossing. Picture: AP

Microsoft moves to avert antitrust suit

By Richard Wolffe in Washington and Louise Kehoe in Seattle

Microsoft, the world's largest software company, yesterday launched a last-ditch attempt to avoid a landmark antitrust battle with the US government.

It agreed to delay today's scheduled start of deliveries to personal computer makers of the latest version of its Windows software, in return for an extension of the government's deadline for launching legal action.

Microsoft was reported to have offered "major concessions", but details were unclear.

The US Justice Department said discussions would continue "over the next several days", but an official said it would be "a brief period".

The negotiations – described as "settlement talks" – are expected to continue over the weekend as both sides seek a compromise. More than 20 state attorneys general, who are planning their own legal case revolving around allegations that Microsoft has abused its monopoly power, are also participating.

One party involved in the talks said: "There was no indefinite commitment to negotiate. There is only an offer in good faith to talk over the next few days."

The Justice Department was expected to brand Microsoft an illegal monopoly by launching a lawsuit against the company yesterday. Its timing was intended to coincide with the release of Windows 98 because the government may have wanted to demand changes in the content of that software.

The antitrust lawsuit would represent the biggest action by the US government since it broke up AT&T, the telecommunications company, in 1984.

Officials at Microsoft's Redmond, Washington, headquarters refused to discuss the nature of the talks, but said the company's lawyers had been in "ongoing discussions" with the Justice Department and state attorneys general for the past week.

By postponing shipments of Windows 98 "golden master" discs to hundreds of PC manufacturers worldwide, Microsoft has provided some extra time for its lawyers to try to secure a deal with antitrust officials.

However, the company remains adamant that it will not waver from the principle that it has the right to control the features included in its products.

Microsoft confirmed yesterday that it had completed all work to develop Windows 98. While it agreed to delay shipment to the industry, it refused to change the date of its high-profile launch to retail customers on June 25.

Microsoft's shares rose $2⅝ on news of the settlement talks, to trade at $89⅞ at lunchtime yesterday.

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WORLD NEWS

Nato may deploy force in Albania to monitor border with Kosovo

Nato has sought the advice of military planners on the possibility of deploying a force in Albania to monitor its border with the Serbian province of Kosovo. A senior official said Nato's military committee had been asked to study all options available if the situation were to deteriorate. Page 16

UN Security Council rebukes India
The UN Security Council rebuked India for conducting nuclear tests, warning they could threaten peace in south Asia. The US also stepped up pressure on Pakistan not to test a nuclear weapon, as signs grew that Islamabad was preparing to detonate a device. Page 10

Clinton praises Bonn leadership
US President Bill Clinton said the US had no stronger ally than Germany and praised Bonn for its leadership role in Europe and the world. Page 2; Clinton pressed on climate policy, Page 4

Germany proposes Köhler for EBRD
Bonn confirmed it would propose Horst Köhler, former state secretary at the finance ministry, for the post of president of the European Bank for Reconstruction and Development. Mr Köhler's competitors are Philippe Lagayette of France, Pedro Solbes of Spain and Paolo Savona of Italy.

Chirac warning on economy
President Jacques Chirac warned France would only make a success of the euro if taxes were cut, public spending lowered and the budget deficit reduced. Page 2

Austrian far right in fraud probe
Austria's far-right Freedom party faces a crisis after one of its parliamentary deputies fled the country under suspicion of embezzling Sch200m ($16m). Page 3

Communists oppose Nato growth
Italy's Reconstructed Communists have voted against a parliamentary motion to enlarge the North Atlantic Treaty Organisation. Page 3

Swedish court's nuclear ruling
Sweden's Supreme Administrative Court ruled that the decommissioning of Sweden's oldest nuclear reactor could be unlawful. Page 2

US banks vow to fight bill
US banks vowed to fight a bill to end Depression-era restrictions on financial services companies passed by the House of Representatives on Wednesday. Page 6

Brazil resurrects welfare reform
The Brazilian government has resurrected its social security reform after defeating four opposition amendments to the bill in the lower house of Congress. Page 7

Fund managers defiant over taxes
Fund managers stepped up their campaign for reform of the US social security system. Page 6

New Zealand economic reforms
New Zealand's centre-right coalition announced reforms to shore up faltering international confidence in its economy. Page 10

Super league waits in the wings
Media Partners, Milan-based sports marketing consultancy that advises the Italian Serie A league, has proposed a new European club competition in which clubs will be chosen on status and merit.

Setback for tallest skyscraper
Completion of the world's tallest skyscraper will be delayed by a year, Mori Building, the Japanese property group, admitted. Page 8

BUSINESS NEWS

European groups boosting revenues through commerce on the internet

Nearly a quarter of European companies are earning revenues through the internet, according to preliminary findings of a study commissioned by Cisco Systems. Meanwhile, the US and Japan have agreed principles for the development of online commerce. Page 8

Jacor Communications, a Kentucky-based media group, is believed to be through to the second round of bidding for Talk Radio and other UK radio stations being sold by Luxembourg broadcaster CLT-UFA. Page 21

The planned merger of Fortis and Générale de Banque will create a Belgian-based banking arm and Dutch-based insurance arm, said Fortis co-chairman Maurice Lippens. Page 18

Guinness, the brewing division of Diageo, has formed an alliance with Egypt's Al Ahram Beverages Company to produce non-alcoholic lager for the Middle East. Page 17; Miller-Brahma deal, Page 20

France moved to strengthen its hand in negotiations on the structure of the European defence industry by transferring its 46 per cent stake in Dassault Aviation to Aérospatiale. Page 16

Daimler-Benz intends to buy up to 60 per cent of Nissan Diesel, according to executives, making it the first foreign group to take over a Japanese automotive manufacturer. Page 17; Lex, Page 16

Restructuring and robust exports helped German industrial companies report higher profits as they responded to growth in foreign markets and tackled stagnant German demand. Page 17

Deutsche Postbank, the German bank being prepared for privatisation, forecast DM400m ($227m) net profit this year after turning round a 1996 loss. Page 18

Western Europe's car industry is preparing to revise upwards its forecasts on new car market growth despite a fall in registrations in April. Page 2

Lending by Japanese banks fell by the biggest amount on record last month, suggesting the credit crunch afflicting domestic businesses is worsening. Page 10

Aegon, the Dutch insurance group, scotched persistent market rumours that it was contemplating a merger with ABN Amro, the country's largest bank. Page 18

Banco Santander, the Spanish financial services group, is to acquire a second private pension fund manager in Chile, AFP Summa. Page 20

Disposals triggered a 57.6 per cent increase in first quarter pre-tax earnings at Veba, the Düsseldorf-based conglomerate. Page 20

Westdeutsche Landesbank, the Germany public sector bank, declared a 20 per cent first quarter jump in operating profits. Page 18

Teleglobe, the Canadian international network operator, is moving into retail telephone services. Page 20

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9194.65	(–17.19)
NASDAQ Composite	1874.62	(+8.44)
Europe and Far East		
CAC40	4011.98	(–7.78)
DAX	5361.22	(–15.66)
FTSE 100	5848.5	(–24.4)
Nikkei	15307.69	(–36.12)
US Lunchtime RATES		
Federal Funds	5.56%	
3-mth Treas Bills: Yld	5.144%	
Long Bond	102[illegible]	
Yield	5.955%	
OTHER RATES		
UK: 3-mo Interbank	7[illegible]%	(same)
UK: 10 yr Gilt	109.5938	(109.718)
France: 10 yr OAT	103.54	(103.49)
Germany: 10 yr Bund	107.16	(107.07)
Japan: 10 yr JGB	111.27	(111.35)
NORTH SEA OIL (Argus)		
Brent Dated	$14.56½	(14.39)

GOLD		
New York: Comex	$298.0	(298.3)
London	$297.75	(298.15)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6315	
DM	1.7787	
FFr	5.965	
SFr	1.4802	
Y	134.06	
London:		
£	1.6307	(1.634)
DM	1.7797	(1.7776)
FFr	5.9672	(5.9605)
SFr	1.481	(1.478)
Y	134.175	(134.04)
		Y 133.76
Tokyo Close		
Sterling		
DM	2.8892	(2.9049)

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WORLD NEWS

EUROPE

German 'leadership' praised by Clinton

By Gerard Baker in Berlin

US President Bill Clinton said yesterday the US had no stronger ally in the world than Germany and praised the German government for the leadership role it had played in Europe and the world in the last few years.

Speaking to ecstatic crowds at a ceremony to mark the 50th anniversary of the Berlin airlift, Mr Clinton compared the spirit shown by Berliners in 1948 with that of modern Germany and urged the country to take on a greater leadership responsibility.

"Both Americans and Germans will always remember the lesson of what happened 50 years ago. We cannot relinquish the responsibilities of leadership, for the struggle for freedom never ends," he said. "It would be difficult to imagine a better friend or ally than modern Germany."

Mr Clinton used an emotional ceremony at Tempelhof Airport, the landing point in former West Berlin for the US and British aircraft in the 15-month operation, to emphasise US support for unified Germany's efforts to deepen European integration. He went to extraordinary lengths to heap praise on Chancellor Helmut Kohl, who is four months away from an election which polls suggest he may lose. Mr Kohl said the German people would for ever be grateful to the US, Britain and the other countries that participated in the operation.

Yesterday's events also emphasised one theme of Mr Clinton's visit – to encourage Germany to fulfil its role as a political and economic leader. "How proud those who participated in the airlift must have been when Germany led the effort to unify Europe and when the modern equivalent of care packages were sent to Bosnia, Afghanistan and other places ravaged by war," he said.

After yesterday's ceremonies in Berlin, Mr Clinton went to see one of the more successful enterprises in the still struggling eastern Germany – the General Motors/Opel factory at Eisenach, in Thuringia. Later he visited Wartburg Castle, the birthplace of Johann Sebastian Bach, and the place where Martin Luther began translating the Bible in the early 1520s.

Bill Clinton shaking hands with a member of the German army big band yesterday Reuters

Court upsets Sweden's anti-nuclear plan

By Tim Burt in Stockholm

Plans by the Swedish government to abandon nuclear power were thrown into disarray yesterday after the country's Supreme Administrative Court ruled that the decommissioning of Sweden's oldest nuclear reactor could be unlawful.

The court – considering an appeal against the closure from Sweden's largest independent power generator – effectively ended government hopes of decommissioning the first of 12 nuclear reactors this summer by ordering a judicial review of the policy.

Sydkraft, the listed utility group which operates Barsebäck 1 – the first reactor earmarked for closure – hailed yesterday's ruling as a preliminary victory in its campaign to prevent the government from acting on the anti-nuclear vote of a 1980 referendum.

The decision marks the latest twist in a long-running political and legal battle over the future of nuclear power in Sweden, which accounts for about half of the country's energy needs.

In spite of strong opposition from rival political parties, industrial leaders and Sydkraft, the ruling Social Democratic party pledged earlier this year to press ahead with the closure of the first reactor at the Barsebäck power station in southern Sweden. The plant's second reactor was due to be closed in 2001, with the remaining 10 reactors to be phased out following the development of alternative sources of non-fossil fuel.

The prime minister, Göran Persson, yesterday admitted that the programme could not begin without legal approval, but he emphasised that he remained committed to phasing out nuclear power.

"The decision to proceed is based on a large majority in parliament, but we must now await the court's final ruling," said Mr Persson.

The prime minister predicted the nuclear issue would figure prominently in Sweden's parliamentary elections in September, although he said the government "was not in a hurry" to proceed with the decommissioning.

The policy was formulated by the minority Social Democrat government partly for the political support of the anti-nuclear Centre Party.

Under the court ruling, there will be a full judicial review of Sydkraft's attempt to outlaw the closure programme. The company, partly owned by Veba of Germany and Norway's Statkraft, has argued that it has been offered insufficient compensation and time to prepare for the decommissioning.

The court could take several months to issue a final decision on the closure plans.

Chirac warns on economic goals

By Robert Graham in Paris

President Jacques Chirac has warned that France would make a success of joining the euro only if taxes were cut, public spending lowered and the budget deficit further reduced.

The warning came when opening a conference organised by Les Echos, part of the Pearson group, and follow the launch of the euro two weeks ago. The gaullist president's comments look set to be a constant theme in coming months and contrast with the Socialist-led Jospin government's policy of balancing moderate reductions in the budget deficit with a slight rise in public spending to create jobs and sustain the economic recovery.

"I know it is easier to say than to do; but we must have fewer taxes, less public spending and less deficits, " President Chirac urged.

On at least two recent occasions President Chirac has voiced a liberal view of economic policy that differs sharply from the government. However, yesterday his tone was less polemical and more distanced. At the same time Dominique Strauss-Kahn, the finance minister, who also addressed the conference, appeared to go out of his way to reassure business he had their interests at heart in preparing the 1999 budget.

Mr Strauss-Kahn said it was a top government priority to "break the spiral" of the state debt which is now reaching close to 60 per cent of GDP - the ceiling imposed by Maastricht treaty convergence criteria.

He also insisted the government intended to cut back the high obligatory social security and pension payments made by business.

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Lebed learns the value of compassion

The former general is poised to sweep to victory in the race for governorship of Krasnoyarsk, writes Chrystia Freeland

"We've become non-people. The moral measure of a society is how it treats its old, its children, its infirm. We treat ours like pigs," Alexander Lebed, the general-turned-politician, rumbles in sympathy to a crippled pensioner's tale of woe. Then the former paratrooper's voice hardened and he booms out the message of his two-month-long political march through the Siberian wilderness: "I want to change all this. But to do it, I need power. Power is an instrument of change. If you want change, give that power."

On Sunday, the voters of Krasnoyarsk territory, a forbidding slice of Siberia more than four times the size of France, will decide whether to give Mr Lebed the power he seeks.

If he wins, the charismatic reserve general makes no secret of his plans to launch a campaign for the presidency. Krasnoyarsk would make a formidable power base. As rich in natural resources as it is brutal in climate, the territory is home to some of Russia's most coveted companies: Norilsk Nickel, the world's largest nickel producer, a huge aluminium smelter and one of the world's largest hydro-electric dams.

Mastery over this Siberian land and its industrial behemoth would automatically give Mr Lebed a voice in Moscow: as governor he would be a member of the Federal Council, the upper house of parliament composed of the regional chieftains who exercise increasing national muscle.

That makes a Lebed victory on Sunday a nightmare for the Kremlin, which has backed the lacklustre campaign of Valery Zubov, the incumbent. After coming third and collecting a surprise 11m votes in the 1996 presidential contest, Mr Lebed was embraced by President Boris Yeltsin, who named him the national security chief. But the romance was brief. After a scant 121 days, the outspoken outsider was exiled from the Kremlin and seemed to vanish from the political stage. Now, as he stalks the Siberian forest's four time zones east of Moscow, Mr Lebed is hoping to roar back into political life.

At first, it seemed a quixotic campaign. Without the local connections of an effective political machine, Mr Lebed seemed doomed to lose out to the local boy and his smooth Kremlin allies. Pundits warned Mr Lebed risked being shown up as that most pathetic of political creatures – an unpopular populist. But over the past two months Mr Lebed has defied the Moscow pollsters, winning 45 per cent of the vote, to Mr Zubov's 35 per cent, in the first round of polling in April. He owes his resurrection to a carefully orchestrated campaign which has suggested he might be as natural a politician as he is a soldier.

"When we arrived, we realised we would be locked out of the local media," explains Vladimir Yakushenko, the former general's sharp-suited press secretary. "So we decided we had to personally meet as many people as physically possible." So Mr Lebed stomped through Krasnoyarsk territory, travelling to 120 towns and villages, speaking to 130,000 people and covering 10,000 kilometres of rutted road in his mud-splattered white Volga.

Throughout, Mr Lebed has barked out his promise to restore order through strength of personality. But even in Siberia, this is the age of emotive politics and somehow, despite his forbidding mien, Mr Lebed has learned to moderate his thunderous message with the softer appeal of compassion. In countless villages he has patiently listened to the complaint of Russia's dispossessed. He has offered them a strong shoulder to cry on and has directed thousands of petitioners to his campaign headquarters, where he promises his battalion of lawyers will help them go to battle with the local bureaucracy.

"It is barbaric that at the end of the 20th century people are living without electricity." Mr Lebed tells an elderly lady who complains of the harsh life in her village 200 kilometres north of Krasnoyarsk. "For people to live so badly in a land which is so rich means its rulers are either fools or thieves. I will change this."

The former general, who once held up Chilean dictator Augusto Pinochet as a role model and whose understanding of market economics has sometimes seemed fuzzy at best, has also worked hard to court Russia's nascent middle class.

Mr Lebed has courted the entrepreneurs of Krasnoyarsk, summoning them to an invitation only meeting this week where the hulking paratrooper humbly confessed: "I am not a businessman and I know little about the subject." But he said he was willing to listen and promised to defend the country's spunky capitalists against their two biggest enemies: "thieving bureaucrats and lawless Mafia gangsters."

For centuries, the Kremlin had used Siberia as a dumping ground to silence its critics: the Czars exiled nobles who clung to banned religious tradition and Bolshevik revolutionaries to the Krasnoyarsk region: the Communists used it to imprison political dissidents.

On Sunday, Mr Lebed hopes to turn the table and if he wins, Krasnoyarsk will become the scourge of the Kremlin and its new governor will become one of the favourites to win in the presidential elections in 2000.

German Greens shift on taxes

By Peter Norman in Bonn

Germany's environmental Green party yesterday shifted the focus of its election platform to combating unemployment in a bid to undo damage caused by its adoption in March of unpopular petrol tax and foreign policy plans.

Reacting to a slump in support, the Green leadership yesterday published a political programme for the next four years sanitised of all references to the party's deeply unpopular plan to triple petrol prices to DM5 ($2.70) per litre in 10 years.

It also proposed to reverse an earlier party decision and empower Green MPs in the Bonn parliament to vote for the continued presence of German troops in Bosnia on peacekeeping missions.

Jürgen Trittin, the Green's national leader, grudgingly admitted the DM5 petrol price goal adopted by the party's national congress in Magdeburg 10 weeks ago was a mistake. Even strong Green supporters had "misconstrued the adoption of a long term arithmetic model as a negative social message," he said.

Other party leaders were more forthright following a halving of Green support in the past two months. Gunda Röstel, national business manager, blamed the DM5 petrol tax idea for the party's heavy losses in the March Schleswig-Holstein municipal elections and the April 26 Saxony Anhalt state election, where it failed to clear the 5 per cent hurdle to enter the state parliament.

The Greens want to be junior partner in a coalition with the opposition Social Democratic party after Germany's September 27 election. But an opinion poll published yesterday by Forsa for the newspaper die Woche suggested they would be lucky to re-enter the Bundestag, the lower house of parliament. It put Green support at just 5 per cent, down from 11 per cent two months ago, against 46 per cent for the SPD and 38 per cent for all three parties in Helmut Kohl's centre-right government.

The condensed programme, to be submitted for approval by a special delegates' conference in Bonn on June 7, made clear the Greens had not abandoned the cause of "ecological tax reform". It said Germany's high 11.4 per cent unemployment was a result of labour being too expensive and energy too cheap. Higher energy taxes would protect the environment and raise money to lower non-wage labour costs and so create jobs. The document declared lower taxes for small and middle income earners was a "central element" of Green policy.

W Europe car sales on the rise

By John Griffiths

Western Europe's car industry is preparing to revise upwards its forecasts of new car market growth, despite a fall in registrations in April on a year-on-year basis.

Officials of the European Automobile Manufacturers' Association (ACEA) said yesterday April's 1.7 per cent drop in registrations, the first this year, was mainly the result of Easter holidays falling in April instead of March as in 1997, cutting the number of sales days.

A 14 per cent drop in registrations in Germany, the region's largest single market, was also a one-off, according to ACEA, because car buyers had "pulled forward" purchases into March to escape a 1 per cent VAT rise from April 1. Adjusting for the distortions, underlying growth last month was about 6 per cent, said Jörg Schröder, ACEA's director of trade and economics.

April's downturn still left registrations for the first four months as a whole 8.1 per cent higher than in 1997 and well above industry expectations. ACEA has already revised upwards its forecast of sales this year, to 2 per cent above last year's 13.4m, and is likely to do so again at the end of May, said Mr Schröder.

ACEA statistics showed the Volkswagen group, which includes Audi, Seat and Skoda, further tightened its grasp on the region's market leadership, coming within less than a percentage point of a 20 per cent market share – an industry first for any manufacturer.

VW's 19.1 per cent share in April compares with 17.8 per cent in the same month a year ago. With a market share for the first four months of 17.4 per cent, VW is more than five percentage points clear of its nearest rival, Italy's Fiat group.

Last month's big losers were General Motors, whose sales plunged year-on-year by 18 per cent; Ford, down 14.8 per cent and BMW, down 13.3.

Korean and Japanese companies seeking to offset weakness in Asia-Pacific markets made gains, Korean imports rising particularly sharply – by 33.4 per cent.

West European new car registrations
January-April 1998

	Volume (Units)	Volume Change(%)	Share (%) Jan-Apr 98	Share (%) Jan-Apr 97
TOTAL MARKET	5,077,100	+8.1	100.0	100.0
MANUFACTURERS:				
Volkswagen group	881,609	+8.3	17.4	17.3
– Volkswagen	520,393	+2.4	10.2	10.8
– Audi	173,777	+5.7	3.4	3.5
– Seat	134,350	+25.7	2.6	2.3
– Skoda*	53,089	+53.8	1.0	0.7
Fiat group##	616,007	+5.8	12.1	12.4
– Fiat	480,442	-0.6	9.5	10.3
– Lancia	69,749	+24.7	1.4	1.2
– Alfa Romeo	65,058	+55.4	1.3	0.9
PSA Peugeot Citroen	593,794	+13.9	11.7	11.1
– Peugeot	341,655	+14.8	6.7	6.3
– Citroen	252,139	+12.8	5.0	4.8
General Motors#	567,261	-1.3	11.2	12.2
– Opel/Vauxhall	538,521	-2.3	10.6	11.7
– Saab**	24,982	+17.3	0.5	0.5
Ford group#	555,262	+5.8	10.9	11.2
– Ford	546,498	+5.4	10.8	11.0
– Jaguar	8,764	+28.2	0.2	0.1
Renault	528,600	+15.2	10.4	9.8
BMW group	280,511	-0.5	5.5	6.0
BMW	146,773	-1.7	2.9	3.2
Rover	133,738	+0.8	2.6	2.8
Mercedes-Benz	200,844	+18.8	4.0	3.6
Volvo	88,301	+3.7	1.7	1.8
Toyota	152,812	+16.8	3.0	2.8
Nissan	147,245	+7.9	2.9	2.9
Honda	79,013	+4.0	1.8	1.8
Mazda	73,583	+9.9	1.4	1.4
Mitsubishi	66,968	+15.3	1.3	1.2
Total Japanese	601,284	+11.8	11.8	11.5
Total Korean	114,485	+28.9	2.3	1.9
MARKETS:				
Germany	1,268,500	+4.0	25.0	26.0
Italy	947,300	+11.9	18.7	18.0
United Kingdom	794,300	+8.3	15.6	15.6
France	626,400	+9.7	12.3	12.2
Spain	373,200	+13.7	7.4	7.0

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

NEWS DIGEST

RUSSIAN GOVERNMENT

Summers has good report for Kiriyenko team

The US deputy treasury secretary, Lawrence Summers, said yesterday he was impressed with the grasp and commitment of the new Russian government team. "The current economic team is more cohesive and more united in its commitment to economic reform than any government Russia has had in the last five years," he said after meeting officials, including Boris Nemtsov, the deputy prime minister.

Mr Summers was paying his first visit to Moscow since President Boris Yeltsin dismissed his entire cabinet in March and appointed Sergei Kiriyenko, 35, to form a new government. His trip was to prepare for President Bill Clinton's meeting with Mr Yeltsin in Birmingham, England, this weekend.

Mr Summers warned that Russia was going to need "careful economic management" in the period ahead, particularly after the Asian crisis. But he praised the Russian Central Bank's "impressive performance" in fighting off "Asian flu" and creating stability.

He said he expected Russia to meet its foreign debt obligations but the Asian crisis had highlighted the importance of transparency in monetary policy. **Carlotta Gall, Moscow**

BUNDESBANK REPORT

German interest rates stable

The Bundesbank yesterday signalled continuity in its interest rate policy over the next few weeks with an acknowledgement that Germany currently faces no inflationary pressures.

Speaking at the bank's annual results news conference, Hans Tietmeyer, its president, said: "The monetary policy of the Bundesbank has been on a calm course for some time. We are neither confronted with inflationary nor with deflationary risks."

His comments underline expectations that German short interest rates – currently at 3.3 per cent – could hold until the summer. Analysts expect German and other European rates to converge to just under 4 per cent ahead of the 1999 start of economic and monetary union.

The Bundesbank yesterday reported a record profit of DM24.2bn ($14bn), of which a large part was due to a revaluation of the dollar reserves from a basis of DM1.3620 against the dollar in 1996 to DM1.5396. About DM7bn of the profits will go the federal budget. The rest is earmarked for debt reduction. **Wolfgang Münchau, Frankfurt**

FRENCH POLITICS

Rightwing forms new 'Alliance'

France's two moderate rightwing groupings – the Gaullist RPR and the liberal UDF – yesterday announced the formation of a loose alliance to co-ordinate their activities in opposition.

"The opposition needs both unity and a plural voice and on this basis a credible alternative must be prepared for French voters," said a joint communiqué from Philippe Séguin, leader of the RPR, and François Léotard, chairman of the UDF. The new confederation will be called the Alliance and at this stage all the existing parties and movements in the two groupings look set to retain their separate identities.

The right has been badly split in recent weeks following the decision of four regional leaders to rely on the support of the far-right National Front to run the administrations of four regions. **Robert Graham, Paris**

SPANISH ECONOMY

'Moderate' inflation rise

Spanish inflation increased to a 12-month rate of 2 per cent last month from 1.8 per cent in March, according to the national statistics institute.

The government said the "moderate" rise of 0.2 per cent in April consumer prices was in line with expectations, adding that prices appeared set for a prolonged period of stability and that its target for the end of this year was unchanged at 2.1 per cent. However, economists saw some cause for concern in a 0.4 per cent price rise for services, which were now 3.5 per cent up on last year, and a 0.3 per cent increase in the underlying rate, showing a 12-month increase of 2.3 per cent.

The Bank of Spain held its benchmark interest rate unchanged at 4.25 per cent yesterday after cutting it by 0.25 percentage points at its previous securities repurchase auction 10 days ago.

● Hundreds of towns and villages in the olive-growing regions of southern Spain took part in a general strike yesterday to press for a tougher stance against a planned reform of aid for the sector being prepared by the European Commission.

Spanish growers are demanding an increase in the production quota put forward under an interim deal, of 625,000 tonnes a year or 40 per cent of the proposed EU total. **David White, Madrid**

RUSSIAN SHARES

Assurance to foreign investors

Russian officials promised yesterday that foreign shareholders of Unified Energy Systems would not suffer under a new law limiting foreign ownership to 25 per cent of the giant electricity generating company.

Boris Brevnov, former chief executive of the company and member of the board, was quoted as saying that UES will not consider confiscating shares from foreign investors who at present own some 30 per cent of shares. UES, one of the country's most valuable companies, is still 53 per cent government owned.

The influential presidential chief of staff, Alexander Livshits, also weighed in, saying that President Boris Yeltsin remained opposed to the law even though he signed it last Friday, after his veto was overridden by parliament.

The president's position was that "investors' rights will be firmly protected and legal clashes will be settled in civilised fashion," Mr Livshits said, adding that the government had no money to buy back the extra shares. **Carlotta Gall**

POLISH INDUSTRY

Gnome blast kills two

Polish prosecutors are investigating an explosion at a Polish garden gnome manufacturing plant on Wednesday night which left two men dead and three others seriously injured.

The blast at a factory near Nowa Sola in western Poland was reportedly caused by paint fumes and is the second incident of its kind in the area, which has a thriving cottage industry specialising in garden gnomes for the German market.

The gnomes are sold to tourists and truck drivers on the roadsides at prices lower than those in Germany. The trade has developed since 1989 and even led to charges of price dumping by German manufacturers. Sales have begun to fall off recently, with a fall in demand in Germany, and this has led to heightened competition among the Nowa Sola producers. **Christopher Bobinski, Warsaw**

هدية من الاهرام

Communist Nato vote is warning to Prodi

By James Blitz in Rome

Italy's Reconstructed Communists have again demonstrated their ability to unsettle the centre-left government by voting against a parliamentary motion to enlarge the North Atlantic Treaty Organisation.

The party voted late on Wednesday night against a senate resolution that ratifies the extension of Nato to include Poland, Hungary and the Czech Republic.

Despite the Communists' move, the resolution was easily passed, helped by support from the centre-right coalition led by the former prime minister Silvio Berlusconi. The resolution is also certain to pass when it comes to the chamber of deputies in several days time.

But although some ministers last night ridiculed the Communist vote, calling it an insignificant gesture, it has renewed the debate over how long Romano Prodi can continue to govern on the basis of a coalition of mutually antagonistic parties.

The Communists have 34 seats in the chamber of deputies and usually provide Mr Prodi with a narrow overall majority. Their vote on Wednesday was the first against the premier since it temporarily brought down his administration last autumn.

Until now, the party has been careful not to stir up trouble. It has wished to avoid accusations that it might threaten Italy's new reputation for political stability while the country has been applying for membership of the European monetary union.

But some political commentators believe Fausto Bertinotti, the party leader, could decide this autumn to demand new concessions from the government, threatening to vote against the 1999 budget if he is not appeased.

This speculation is intense because Mr Bertinotti knows that a political crisis in the first six months of next year could not constitutionally lead to immediate elections, as these are the last six months in office for President Oscar Luigi Scalfaro.

The Reconstructed Communists' fear has always been that elections might lead to a rout for their party, given its current showing in opinion polls.

Ministers were yesterday confident that the significance of the Nato vote had been overplayed. One minister argued that the party had already voted for this government's outline budget in recent days and that it would be "illogical" for it to stir up a fuss over the full budget later this year.

Any move to undermine the budget could also do it significant internal damage because of a significant rift that has developed in recent months. Mr Bertinotti wants to take a more antagonistic approach to the government but Armando Cossuta, the party's president, believes it ought to be more co-operative.

Prague party did not report donations

By Robert Anderson in Prague

The Civic Democratic party (ODS), the Czech ruling party which fell from power over a financial scandal last November, "systematically misrepresented" political donations, an external investigation has revealed.

A Deloitte & Touche audit commissioned and published by the party, showed that donations worth at least Kč10m ($300,000) had never been reported, and almost Kč19m had been reported under fictitious names.

Last November the centre-right coalition led by Vaclav Klaus, the party's leader, collapsed after five years when two donations totalling Kč7.5m were shown to have been given under false names in 1995 by Milan Srejber, a businessman whose company won a steelworks privatisation tender.

After Mr Klaus lost the support of his coalition partners, half his deputies defected and the ODS opinion poll rating sank to almost a third of its 30 per cent tally at the 1996 election. However, its ratings have recovered recently to around 14 per cent as it has been out of the spotlight and other parties have suffered their own funding scandals.

Ukraine pressed to keep its budget cut promises

The strain is showing as Kiev tries to implement reform, reports **Charles Clover**

The troubled former Soviet republic of Ukraine was shoved into the world spotlight this week as it played host to the governors of the European Bank for Reconstruction and Development.

High on the agenda for the discussions, which centred on the progress of transition in the post-communist world, was Ukraine itself.

The EBRD has rated Ukraine in the bottom five of 26 transition countries in terms of progress on market reforms, and many economists blame this inertia for its seven-year economic slide, one of the worst in the post-communist world.

Addressing the EBRD board on Tuesday, President Leonid Kuchma admitted that progress had been slow, but asked for patience. "Those who criticise Ukraine should take into account our special circumstances. We are burdened by a legacy of inefficient Soviet industries and central planning," he said.

The government is making a concerted effort to implement a package of reforms required by the International Monetary Fund as conditions for a $2.5bn loan, a three-year extended fund facility (EFF). These include cutting the budget deficit, reforming the tax system, privatisation and bank reform.

"Ukraine's number one problem is that the government is too large," said David Snelbecker, an economist at the Harvard Institute for International Development in Kiev. He estimated that the government sector accounted for 50 per cent of GDP, including local budgets and extra-budgetary finance.

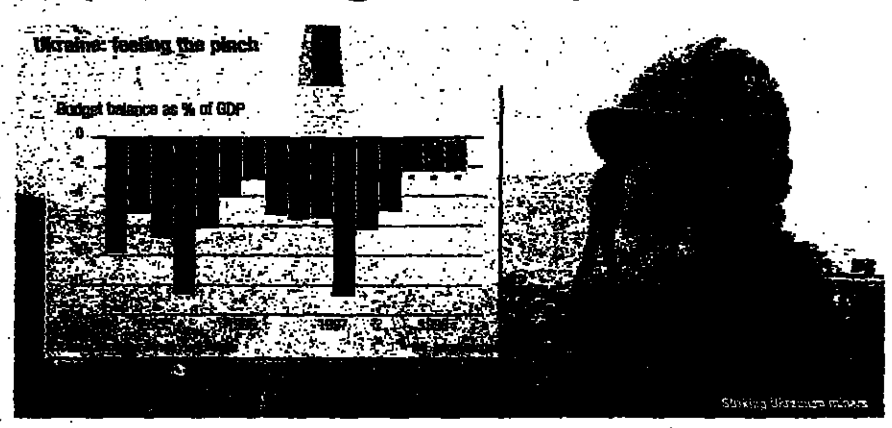
Serhiy Tyhypko, deputy prime minister for economic reform, warned earlier this month that such large expenditures were unsustainable. He said the government might not be able to continue to finance its deficits, and must trim expenditures or face fiscal collapse.

The government has tackled the problem with a vigour that has surprised many analysts, who are used to seeing Ukraine make bold statements, then fail to live up to them.

Last month, the finance ministry cut state expenditures, which account for two-thirds of the total budget, by an astonishing 30 per cent, one of many so-called "prior actions" that the government must perform to win the EFF.

Overall, the IMF is asking Ukraine to cut its budget deficit in half for the rest of the year, from 1.4bn hryvnia ($680m) in the first quarter to roughly 600m hryvnia for the next three quarters, in order to arrive at an overall budget deficit for the year of 3 per cent of GDP.

This month, a revised 1998



budget incorporating the 30 per cent cut will be submitted to parliament. If it is passed, along with a number of other reforms, Ukraine could start receiving the EFF as early as July.

But the reaction to the cuts has been swift. Last week, about 100,000 mineworkers started a strike in protest at a one-third cut in subsidies to the coal industry, which last year amounted to some $800m.

The most difficult step on the path to the EFF is likely to be parliamentary approval. Elections in late March resulted in a sharp increase in the number of leftwing deputies, who now occupy 40 per cent of the seats. They see Ukraine's salvation not in market reforms, but in greater state control.

Officials have gone to work trying to convince parliamentary leaders of the necessity of the budget cuts and privatisation. Mr Tyhypko's comments caused a considerable stir, but he got the message across. "If the budget cuts are fair, we will support them," said Oleksandr Kushnir, a Communist deputy.

The IMF programme is also likely to threaten the vested interests of the many corrupt business people who haunt the shadow economy. One important piece of legislation, for example, would get rid of tax breaks which the cabinet has given out on an "ad hoc" basis, according to one economist.

Likewise, bank reforms and the implementation of a treasury system – taking government deposits out of the hands of commercial banks – would threaten the coterie of insiders that dominate the financial system.

Some experts are pessimistic about Ukraine's ability to make the tough decisions necessary to carry out the programme. Last January and February, the government appeared to have cut spending drastically in order to secure a $585m IMF stand-by loan. But it turned out that it had simply stopped paying wages and pensions. Once this became apparent, the IMF suspended the programme.

The government's inability to implement the much simpler spending cuts has caused some experts to wonder why the IMF feels that Ukraine is ready for the EFF, a much more rigorous programme. But as one western diplomat puts it, unpopular economic reforms are always easier to implement after elections rather than before them.

The next few months therefore offer a critical window in between the parliamentary elections and the presidential elections, due in October 1999.

Fugitive MP scandal hits Austrian right

By Eric Frey in Vienna

Austria's far-right Freedom Party and its leader, Jörg Haider, face a serious crisis after one of his parliamentary deputies fled the country under suspicion of embezzling Sch200m ($16m).


Haider: tightening control

Peter Rosenstingl disappeared on April 29 and left behind a bankrupt consulting firm and fraudulent loans to more than a dozen banks.

The scandal is putting Mr Haider on the defensive for the first time in years and tarnishing the image of Europe's most successful far-right party. After gaining nearly 30 per cent of the votes in elections to the European Parliament and the Vienna city government in 1996, the party is now clearly in third place with an opinion poll rating of around 20 per cent.

In a emergency meeting of the party leadership this week, Mr Haider fired the provincial party chairman for Lower Austria, Mr Rosenstingl's home, and forced two MPs to give up their seats temporarily because they had business dealings with the fugitive.

Mr Haider also announced changes aimed at tightening his control over party finances and rank-and-file members.

All party officials will have to sign a contract making them personally liable for breaking campaign promises or damaging the party's standing, he said.

Parliament has lifted Mr Rosenstingl's immunity to pave the way for an international arrest warrant, and the authorities said they are confident of finding him.

The political fallout could still be huge.

Mr. Haider will be pressed to explain why he did not act on warnings by party members about Mr Rosenstingl's business dealings as early as 1994. As director of the firm Omikron, the fugitive used falsified papers to get bank loans for the companies of his brother, which were hovering close to bankruptcy.

He also took private investor funds by promising exceptional returns in non-existing overseas securities. Among his victims is his own provincial party, which now faces Sch50m in debt.

Mr Haider has had several run-ins with his party recently. In April, he reacted to a internal feud in Salzburg province by firing all elected officials, only to reinstate them when the rank and file rebelled.

One problem is finding enough qualified people to fill all the elected positions that the party has gained in recent years. When Mr Haider became leader in 1986, the party took just under 5 per cent of the vote.

Thanks to his anti-immigration and anti-European rhetoric, Mr Haider remains a formidable force. But at 48, the former youthful rebel is as far from power as ever.

The ruling Social Democrats and People's party have all but ruled out a coalition with Mr Haider and this would keep him in opposition after the next parliamentary elections in 1999. Political insiders speculate that he will return to his home base of Carinthia next year and campaign for the post of governor, from which he was ousted seven years ago after he praised Nazi Germany's employment policies.

Clinton urged to beef up emissions policy

By Leyla Boulton, Environment Correspondent

President Bill Clinton was yesterday urged by European politicians and US environmentalists to beef up US policy for tackling climate change.

Ahead of tomorrow's Group of Eight summit in Birmingham, Michael Meacher, the UK environment minister, warned that greenhouse gas emissions trading, favoured by the US, was in danger of undermining the Kyoto protocol agreed in December.

The protocol requires the main industrialised powers to reduce their emissions – mostly from fossil fuel consumption – by at least 5 per cent by 2010.

But trading in greenhouse gas emissions would allow countries to achieve at least some of their obligations by buying surplus emission quotas from others.

The United Nations Commission on Trade and Development said yesterday it had set up a formal framework involving private players such as the International Petroleum Exchange in London for developing the rules of trading.

Together with the United Nations Environment Programme, it also plans to set up an international panel for pooling expertise on economic instruments – ranging from trading to green taxation – to tackle environmental problems.

Trading and progress on implementing the Kyoto protocol will be discussed at a meeting of officials in Birmingham, ahead of talks by all the world's governments in Bonn next month and in Buenos Aires in November.

The big fear of some European governments and environment groups is that, under a trading regime, the US would buy emission quotas from Russia without changing its own energy use patterns.

The US administration and experts who set up the country's domestic sulphur dioxide trading system to tackle acid rain, say formal curbs would hurt a trading system. Mr Clinton has also promised that the US would achieve some of its reductions at home.

But the $6bn package of tax incentives and subsidies with which he wants to promote new climate-friendly technologies appears unlikely to receive the necessary support from Congress.

Phil Clapp, president of National Environmental Trust, a US pressure group, said that, since then, Mr Clinton had not produced a single initiative for reducing US emissions. He urged Tony Blair, the UK prime minister, and Chancellor Helmut Kohl of Germany to press Mr Clinton for more action on climate change at Birmingham, as they had at the Denver summit last year.

A world policeman's lot is not such a happy one

Gerard Baker finds the US contrite about its role as global leader in the wake of the Asian crisis and India's nuclear tests

At last year's summit in Denver of the Group of Seven industrialised nations, the US intensely irritated everybody present with its insistent message of American triumphalism.

The strong performance of the US economy, American officials said, meant the US system was the only effective model for successful economic organisation for the twenty-first century.

At this year's summit in Birmingham, where the heads of government of the seven countries – the US, Japan, Germany, France, the UK, Canada and Italy, will be joined this weekend by President Boris Yeltsin of Russia for the full meeting – the US will be crowing less loudly.

This new-found humility has not come about because President Bill Clinton and his advisers are any less pleased with themselves and their economy. If anything, US economic success has blossomed further in the last year – with a sharp decline in unemployment, accelerating growth and near-zero inflation. Instead the softer tone owes much to a recognition that events have conspired to emphasise the limits of American triumphalism in 1998.

In the last year, international crises have underscored the vulnerabilities of even the US in an interdependent world.

This week's decision by India to conduct a nuclear weapon test will have eliminated any American satisfaction that might have been left after the Asian financial crisis of the last year.

Even more unnerving for the Clinton administration, setbacks at home – over fast track trade negotiating authority and increased funding for the International Monetary Fund – have severely constrained Washington from playing the global economic leadership role the administration would like.

International crises have underscored the vulnerabilities of even the US

That means that, while at last year's summit the US spent much of its time trumpeting its economic achievements in the global economy, this year it will seek to demonstrate both to the other leaders and to its own sceptical audience at home, that much still needs to be done to achieve lasting global prosperity and security.

As James Steinberg, Mr Clinton's deputy national security adviser put it this week: "We need to make sure the benefits of globalisation are shared not only within our societies, but among all societies of the world."

And President Clinton will also spend much time trying to win the support of the other leaders for a number of its policy initiatives.

The formal agenda, agreed months ago, is much shorter than usual, which is probably just as well, because it seems likely to be overshadowed by topics to be brought up at short notice.

There are three items for formal discussion. First, reform of the global financial architecture after the Asian crisis. Here the leaders will largely endorse the pleas of their finance ministers last weekend for more agreement on improving financial transparency. Second, combatting trans national crime. Third, improving the employability of workers in industrialised countries. This last is likely to promote extensive discussion. the US wants to emphasise the need for flexible labour markets: continental Europeans think it is all about improving education and training programmes.

Off the main agenda, several issues will dominate. The Indian crisis is now likely to feature prominently. Mr Clinton wants the other leaders to follow the US in imposing sanctions and in offering possible inducements to Pakistan not to follow India's lead. That may not prove easy, with Russia especially likely to baulk.

The US also plans to press Japan hard to do more to lead Asia out of economic crisis, which will be an important element of the discussions. Mr Clinton will hold a bilateral session with Ryutaro Hashimoto, the Japanese prime minister today. Officials say Mr Clinton will shift US pressure away from an insistence on a more stimulative fiscal policy, where they say Tokyo is at last making some progress, towards an emphasis on more concrete proposals for sorting out the mess in the banking system. Mr Clinton will also hope to enlist the support of other leaders in the full summit to lean on the Japanese.

Other issues likely to come up will be Africa, especially how to reconstruct war-torn countries like Rwanda, economic progress in Russia, and the, by now familiar theme of all international gatherings: the environment.

Philip Stephens, Page 14

Problems loom on world stage as India shatters nuclear consensus, Japan's economy hovers on the brink and Africa's human troubles proliferate Collage: Andy Mears

Eritrea denies it invaded Ethiopia

Eritrea yesterday denied its forces had invaded Ethiopia and said instead that Ethiopian troops were responsible for a border skirmish which has soured relations, Reuters reports from Asmara.

"Ethiopian army contingents that had already penetrated Eritrean territory... opened fire and caused grave damage," Haile Woldensae, Eritrea's foreign minister, said in a statement. Ethiopia accused Eritrea on Wednesday of invading its territory and warned that it would retaliate unless troops withdrew.

Eritrea, which gained independence from Ethiopia in 1993, shares a long border with its bigger southern neighbour and both countries have for years been trying to chart their territories.

The statement by the foreign minister called on Ethiopia to show calm and urged a negotiated settlement to the dispute.

Details are sketchy of what actually took place, but unconfirmed reports circulating in Asmara said clashes involved Eritrean tanks and Ethiopian paratroopers.

The neighbours have enjoyed close political and economic ties since Eritrea won independence from Ethiopia following a 1993 referendum, but a currency dispute which started last year has soured relations.

Until November last year Eritrea used Ethiopia's birr currency. It then introduced its own nakfa unit, saying this would establish its economic independence.

Days later Ethiopia announced business transactions with Eritrea would be conducted in dollars and other hard currencies. Cross-border trade was affected and some diplomatic analysts link the sudden coolness in relations to the currency issue.

Commercial flights between Addis Ababa, the Ethiopian capital, and Asmara have been cancelled.

Energy groups in ethics talks

By Robert Taylor, Employment Editor, in London

Negotiations are taking place on the introduction of ethical codes of conduct into global corporations in the energy sector, it emerged yesterday.

The Brussels-based International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) is near agreement with a number of oil companies which would establish joint management-union councils and agreed monitoring procedures for enforcement of worker rights in their business operations.

Enterprises operating such pacts would be able to advertise their commitment to ethical practices in the sale of their products after a year.

The organisation represents 20m workers in 114 countries and 406 unions. Its model agreements are the first attempt to transpose international labour standards to individual companies through agreement.

Vic Thorpe, ICEM's general secretary, said he hoped the first agreement of its kind would be signed within the next six weeks. The agreements at the corporate level would commit each company to uphold fundamental human rights in the workplace and community.

This would cover rights of workers to join a recognised trade union of their own choice and require management to "adopt a positive approach to union activities within the company and an open attitude to their organising".

The agreement would also commit the company to uphold other core labour standards recognised by the International Labour Organisation, covering forced or child labour and equality of treatment. It requires "fair wages and benefits that meet at least legal or industry minimum standards in the country concerned".

LEGAL NOTICES

INSURANCE COMPANIES ACT 1982

Notice of Approval of Transfer of Business

Notice is hereby given pursuant to paragraph 8(6) of Part II of Schedule 2C to the above Act, that the Treasury have approved a transfer of certain general business from General Accident Fire and Life Assurance Corporation p.l.c. to NUTS Schadeverzekeringen N.V.

HM Treasury
London
11 May 1998

JAMES HUNT DIX (INSURANCE) LIMITED

Registered number: 490714

Former company name: RIA BROTHERS INSURANCE LIMITED
Nature of business: Lloyd's insurance brokers
Trade classification: 11
Date of appointment of Joint Administrative Receivers: 1 April 1998
Name of appointor: The Society of Lloyd's
PHILIP JOHN SINGER and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(office holder nos 6366 and 2041) of Plumtree Court, London EC4A 4HT

On 1 April 1998 the Society of Lloyd's Crystallised the floating charge it holds over the insurance transactions assets of James Hunt Dix (Insurance) Limited under the Lloyd's Brokers' Security and Trust Deed executed by that company on 4 October 1989 (as amended on 11 October 1993).

Any person claiming to be an insurance transaction creditor of James Hunt Dix (Insurance) Limited is requested to send full particulars of the sum or sums they claim to be due to them within 21 days of the date of this notice to either the Manager, Lloyd's Brokers Department, Lloyd's, One Lime Street, London EC3M 7HA or to the Joint Receivers at Coopers & Lybrand Insurance Services, 3 St Philips Central, Bristol, BS2 0XJ

BURMAH CASTROL PLC

A Petition having been presented to the Court of Session on 7 May 1998 by Burmah Castrol plc, a company incorporated under the Companies Acts and having its registered office at George House, 50 George Square, Glasgow, G2 1RR for confirmation of a reduction of its capital, the Court pronounced the undernoted interlocutor on 8 May 1998.

Edinburgh 8 May 1998

The Lord Ordinary appoints the Petition to be intimated on the walls in common form and to be advertised once in the Edinburgh Gazette and once in each of The Financial Times and The Herald newspapers and allows all parties claiming an interest to lodge Answers thereto, if so advised, within 21 days after such intimation and advertisement.

Norman Dowie DCS

all of which intimation is hereby given

Maclay Murray & Spens
Solicitor for the Petitioners
3 Glenfinlas Street
EDINBURGH EH3 6AQ

CONTRACTS & TENDERS

INVITATION
TO EXPRESS INTEREST IN THE COMPANY UNITS OF THE GROUP CASE DI CURA RIUNITE S.R.L. IN EXTRAORDINARY ADMINISTRATION
(Law 3 April 1979, no. 95)

The Commissioners of the Group Case di Cure Riunite Srl in Extraordinary Administration (D.M. 14 February 1995), with head office in Bari, via Vassallo, 1, in that authorised by the Ministry of Industry (Vigilance Authority) with measures dated 10th February 1998,

WHEREAS

A) the Group CASE DI CURE RIUNITE S.R.L. (hereinafter "CCR") operates in the health sector within the national health service scheme of the Puglia Region with 484 licensed and national health service beds, of which 30 beds for cardio surgery, through the following Class A health structures
1. VILLA BIANCO Clinic, located in Bari, via Scipione l'Africano 191 ; specialisation : cardio surgery, cardiology ; licensed and NHS beds : 80, of which 30 for cardio surgery ; property rights : ownership ;
2. S. RITA Clinic, located in Bari, via Giulio Petroni 132/G : specialisation : dialysis, nephrology and general medicine ; licensed and NHS beds 74 ; kidney places : 100, of which 49 NHS and 51 licensed ; property rights : ownership ;
3. VILLA DEL SOLE Clinic, located in Bari, C.so A. De Gasperi 413 ; specialisation : urology, diabetes, general medicine ; licensed and NHS beds : 60 ; property rights : ownership ;
4. VILLA LUCE Clinic, located in Bari, S. Spirito, via Napoli Trav. 8 ; specialisation: general medicine, nephrology, dialysis ; licensed and NHS beds : 50 ; licensed and NHS kidney places : 13 ; property rights : ownership ;
5. SANTA CATERINA Clinic, located in Bisceglie (Ba), via Repubblica 50 ; specialisation : general medicine, nephrology, dialysis ; licensed and NHS beds : 80 ; licensed and NHS kidney places : 18 ; property-right : lease ;
6. MATER DEI Clinic, located in Bari, via Amendola 209 ; specialisation : general and geriatric medicine ; capacity : 490 beds ; NHS beds 140 , property rights : ownership ;

B) in addition to the beds listed above, CCR has also managed a further 26 beds, within a licensed and national health service scheme, once located in the VILLA VERDE Clinic, and which, at the moment, are suspended awaiting the issue of the requested authorisation to reopen the same beds in the health structures owned.

C) the Group CCR furthermore manages - in the delay of the stipulation of the new agreement- the de facto relations with the Ospedale Oncologico di Bari Istituto di Ricovero e Cura a Carattere Scientifico (Oncologic Hospital of Bari) ; this activity is partly exercised by the above mentioned MATER DEI Clinic, located in Bari, via Amendola 209.

D) the Group CCR is furthermore the owner of the property called SANTA LUCIA, located in Bari, in an advanced state of construction and with a potential of approximately 450/500 beds.

E) the improvement plan according to art 2, comma 5 of Italian law 3 April 1979, no. 95 (Prodi Law), approved with decree of the Ministry of Industry on 13 March 1997 foresees, amongst other things, the completion of the property SANTA LUCIA and the transfer to the same of the majority of beds (and relative activities) presently at some of the health structures listed under Point A), with further significant economy of scale compared to that up to now carried out through the rationalisation of the productive structure.

F) the Group CCR is furthermore the owner of the property located in Bari, via Vassallo 1, presently the legal and administrative headquarters

G) the Commissioners intend to start the procedure for the sale of the company assets of the Group CCR excluding the total assets and liabilities concerning credit and debt prior to the company being placed in extraordinary administration, apart from operational debts and credits, with the maintenance of the employment levels laid down in the approved improvement plan.

INVITE

parties interested in the acquisition of this Company complex to present their applications by registered mail to "S.R.L. CASE DI CURA RIUNITE IN A.S.", c/o Notary Michele Somma, via Carulli, n. 14, 70121 BARI, ITALY (tel. +39/80/5247344, Fax +39/ 80/5247566).

Applications from intermediaries will not be accepted and in no circumstance will any intermediary fees or expenses be paid by the proceedings.

This expression of interest must contain :

a. the identity of the interested party, which must be a limited company or other collective body, the names of the first ten partners and a copy of the latest approved financial statements ;
b. the specific purpose of the interest in acquisition and the reasons therefore ;
c. an agreement of confidentiality with regards to all the data which will be supplied by the Commissioners ;
d. the declaration that the expression of interest is exclusively in one's own right or, if on behalf of a third party, the identity of the third party must be disclosed, together with the information under point a ;
e. any other indications considered useful by the interested party with the aim of improving its economic and financial ability in view of the prospected acquisition ;
f. the signature of the legal representative or, in the case of applications on behalf of a third party, copy of the representation mandate.

Those parties having expressed their interest according to the above instructions within 60 days of the date of the publication of this notice, shall be able to :

a. rely on the strict confidentiality regarding the existence and contents of their application, except in the case in which they explicitly declare that their application is to be brought to the attention of the other interested parties ;
b. obtain an information memorandum containing the essential details of the companies object of the interest ;
c. obtain further information, including a copy of the appraisal report being prepared according to art. 6 bis of Italian Law no. 95/79, with the exception of any information the Commissioners consider covered by secrecy.

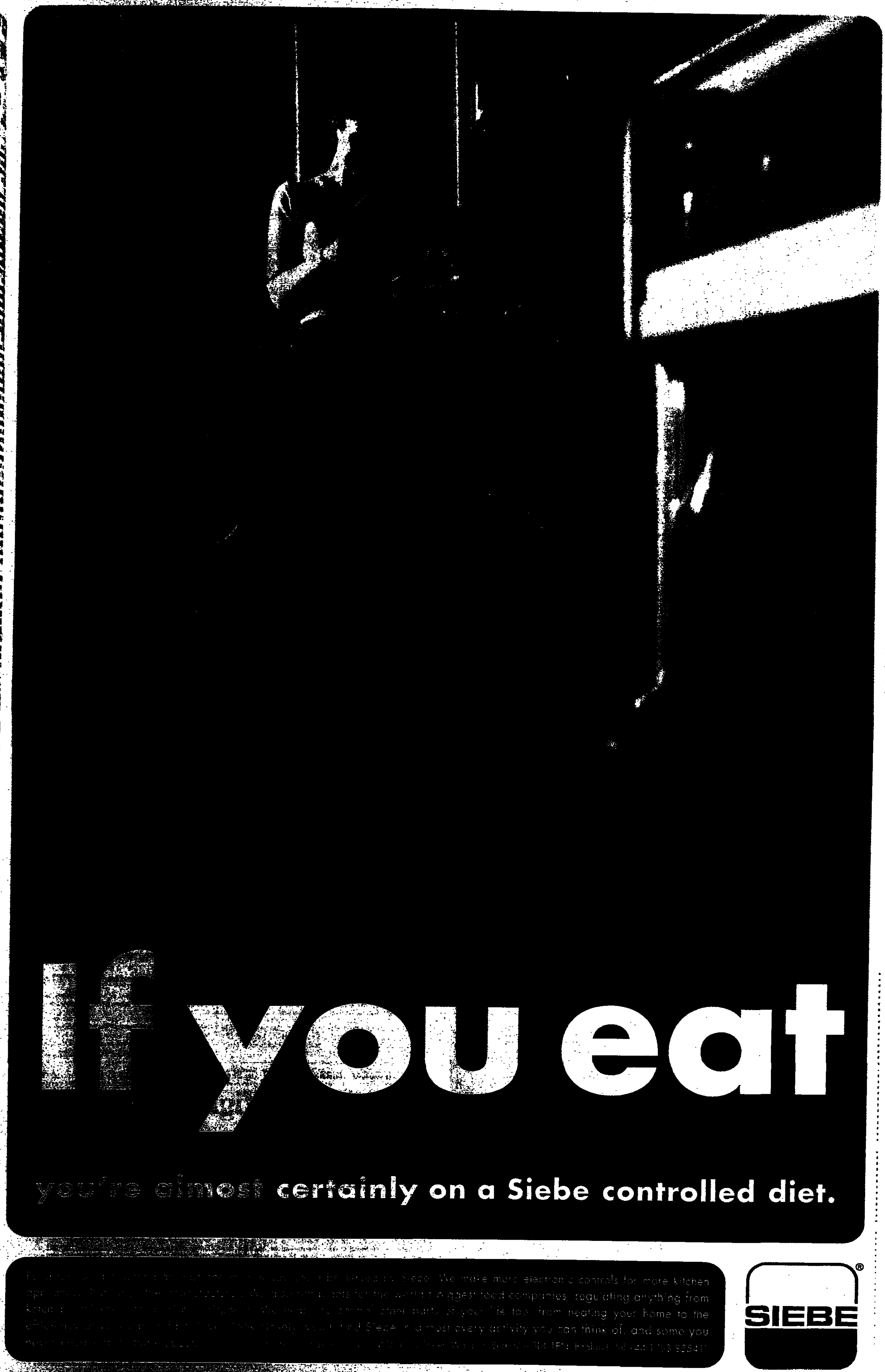
Once the informative stage has been concluded, the Commissioners reserve the right to open a contest, the methods and conditions of which will be made public, for the sale of the company complex of the Group CCR.

This announcement does not constitute in any way :

- an offer to the public ex art. 1336 of the Italian Civil Code ;
- solicitation to public saving, specifying that the object of the future sale will not in any way be composed, either directly or indirectly, of stock or securities of any kind.

This announcement and subsequent agreements are subject to Italian Law and jurisdiction.

The Extraordinary Commissioners
Dr. Raffaele Santoro
Prof. Avv. Paolo Vitucci


If you eat
you're almost certainly on a Siebe controlled diet.
We make more electronic controls for more kitchen
regulating anything from
from heating your home to the
Siebe in almost every activity you can think of, and some you
SIEBE

SOCIAL SECURITY BILL DEFEAT OF FOUR OPPOSITION AMENDMENTS PROMPTS GOVERNMENT TO RESURRECT PUSH FOR CHANGES

Votes lift hopes of reform in Brazil

By Geoff Dyer in São Paulo

The Brazilian government has resurrected its social security reform after winning votes on four opposition amendments to the bill in the lower house of Congress.

The reform had been under threat since the opposition won an important vote last week, which had been seen as a sign that the government had lost its momentum following the death of two of its most influential politicians in April.

The social security bill is a crucial part of the government's strategy to cut its large budget deficit, currently 6.5 per cent of gross domestic product and the principal weakness of the economy. The government defeated all four opposition amendments in the lower house on Wednesday night.

As a result, the bill maintains a planned 30 per cent cut in pensions for civil servants and establishment of a minimum retirement age of 53 for men and 48 for women currently working.

The opposition amendment which was approved last week withdrew from the legislation the article which established a minimum retirement age of 60 for men and 55 for women who enter the workforce after the reform is approved.

Analysts said the votes showed that the government had recovered the political initiative.

However, the votes come at a time of growing pessimism about Brazil's fiscal position and the effect of the reform on reducing spending in the short term. Government officials have said the reform would only reduce the deficit on the social security system, expected to exceed $6bn in 1998, by as little as $1bn.

"In the short term it looks like the reform will only have a modest impact on the fiscal accounts," said Mauro Schneider, economist at ING Barings in São Paulo.

Economists also said that the rewriting of the bill during its passage through congress had left a number of uncertainties, including whether the minimum age rules were obligatory. It could be left to the courts to clarify the situation.

The votes completed the first round of approval of the bill in the lower house. The reform, which has already passed the Senate, must now be voted on for a second time by deputies before becoming law.

US fund managers defiant on tax rises

By John Authers in Washington

Fund managers yesterday stepped up their campaign for reform of the US social security system, and signalled they would resist attempts by legislators to impose extra taxes.

US mutual funds – open-ended investment vehicles – have now overtaken commercial banks as the largest single holders of US financial assets. According to the Investment Company Institute, the trade association for the industry which met for its annual conference in Washington yesterday, they now control total assets of $4,747bn on behalf of 66m separate savers.

Don Powell, chairman of the institute, said: "We are no longer the cottage industry. As a result we are a tempting target for irrelevant programmes and taxes."

There is particular alarm over suggestions in Congress that mutual funds should be made subject to the Community Reinvestment Act, which requires banks to provide financial support for local communities. Matthew Fink, chief executive, claimed this would be an "unjustified tax" on the *assets of fund shareholders*".

Windows 98: sharp focus of battle for PC hegemony

Microsoft wins three-day breathing space in antitrust talks, says **Louise Kehoe**

The skirmishing over Microsoft's latest product and its growing domination of the world's PC software industry has yet to lead to full-scale war.

Inside building 18 on the Redmond, Washington, corporate campus yesterday morning Microsoft's communications team was telling how crucial breathing space for talks with antitrust regulators had been won.

The software company yesterday postponed from today the scheduled shipment of Windows 98, a new version of its ubiquitous operating system, to personal computer manufacturers worldwide.

Once Windows 98 has been shipped, it will become more difficult for prosecutors to demand its withdrawal because thousands of PC manufacturers would be affected.

To most PC users, Windows 98 would seem to be an innocuous upgrade of the current version of the software that comes to life when they turn on their computers.

In appearance it is not very different. Its functions *are superficially the same.*

Yet to the $100bn personal computer industry Windows 98 is a critical product. With PC sales in Asia slowing and prices in the US and Europe falling, the industry is looking to Windows 98 for a welcome sales boost.

From the perspective of the US Justice Department, Windows 98 is also of great significance. The product has become the focus of their concerns about Microsoft's market power.

With Windows 98 Microsoft has achieved its goal of blending internet browsing and desktop computing.

From a user perspective there is now little difference, for example, between searching for a file stored on a hard disk or searching for a web page on the internet.

This "integration" has been at the centre of debate over allegations that Microsoft aims to extend its Windows monopoly into other product categories, in violation of US antitrust laws.

By incorporating the functions of an internet browser in the PC operating system, Microsoft has run roughshod over Netscape Communications, the pioneer of internet browsing software.

Bill Gates, Microsoft chairman: fighting to stave off Justice Department AP

Since Microsoft began offering browser software, Netscape's share of the browser market has fallen sharply, from close to 90 per cent three years ago to a current 60 per cent.

Microsoft's share is rising and with Windows 98 it could overtake Netscape, according to industry analysts.

Microsoft's critics charge that it has used exclusionary contracts that force PC manufacturers to offer its browser with Windows, so increasing its market share.

Similarly, Microsoft made deals with internet service providers, including them in a list of suggested services that pop up when PC users first seek access to the internet. These deals required the internet access services to promote Microsoft's browsers.

Over the past few weeks Microsoft has modified some of these contracts, although its agreements with America Online and Compuserve, two of the largest online services, remain unchanged according to industry executives.

But legal experts say it would take much broader concessions by Microsoft to head off antitrust suits.

The three-day postponement of shipments of Windows 98 should not have any significant impact on the PC industry. But further delay could upset marketing and product plans.

NEWS DIGEST

ECONOMIC PROSPECTS

US business economists in an optimistic mood

US business economists are optimistic that the US economy will see out this century without recession, according to a poll released yesterday by the National Association for Business Economics. While generally more upbeat about prospects for the economy than they were three months ago, the economists expressed concern that the US stock market is "overpriced". Even if the Dow Jones Industrial Average falls by 2,400 points – about the same as the rise over the past year – this would probably not lead to a recession, they said.

The quarterly forecast was also less pessimistic about the impact of the Asian economic crisis on the US economy. In February more than 60 per cent of the economists said the financial crisis would reduce growth in the US by 0.5 per cent of gross domestic product. Now 42 per cent of them believe any slowdown will be 0.5 per cent or higher, while a quarter said the Asian downturn would have little impact. Some even said it would stimulate growth. **Nancy Dunne, Washington**

US INFLATION

Consumer prices rise 0.2%

US consumer prices in April rose 0.2 per cent from a month earlier, nudged up by the costs for tobacco and hotels, the Labour Department reported yesterday. Medical costs were also higher, as expected, rising 0.4 per cent in April after a 0.3 per cent climb in each of the two preceding months. The increase was attributed to higher prices for prescription drugs which rose 0.8 per cent last month.

Airline fares, which were up 8.2 per cent during the first three months of the year, fell 0.3 per cent in April.

In another report the Commerce Department said inventories were 0.5 per cent higher in March after rising 0.7 per cent in February. Sales are also higher, up 0.6 per cent in March and 0.9 per cent in February. **Nancy Dunne**

■ Canada's inflation rate receded again last month to bring the year on year rate to 0.8 per cent. The annual inflation rate has hovered around the 1 per cent level for six months, at the low end of the central bank's 1-3 per cent annual target. **Edward Alden, Toronto**

VEHICLE LICENCE FEES

Cuts proposed for California

Pete Wilson, governor of California, has proposed cutting vehicle licence fees by 75 per cent, claiming the $3.6bn measure would be the biggest tax cut in state history. Mr Wilson, who must leave office at the end of this year under term limits laws, unveiled the plan as an advance highlight of his last state budget, expected to show a surplus of at least $4bn.

The economic recovery is likely to produce windfall tax revenues which Democrats, who hold majorities in the legislature, say should be diverted into the failing education system. The governor, who has already proposed increasing spending on schools by $1bn, said local authorities, which receive most of the revenue from the licence, would not suffer because he would fill any deficits from the state's general fund.

However, opponents pointed out that his promise of substitute funding would not be binding on his successor.

Licence fees, based on the age and value of the vehicle, cost the average motorist about $185 a year, although the levy on a new Ford Explorer, for example, is more than $650. Approval of the governor's plan would lead to a 50 per cent reduction on January 1, with the balance to follow in early 2002. **Christopher Parkes, Los Angeles**

ART MARKET

Monet fetches $12m

The strength of the international art market at the top levels was underscored at Sotheby's in New York on Wednesday night when one of Monet's paintings of the Grand Canal in Venice sold for $12m. At the height of the art boom in 1990, just weeks before it crashed, the same painting fetched $9m.

The buyer on Wednesday was the art consultant David Nash who advises Paul Green, co-founder of Microsoft. It was sold by the Fuji Gallery of Tokyo. Strong demand for the finest Impressionist and Modern paintings has persuaded many Japanese owners, who fuelled the 1980s price spiral, to dispose of their art. Sotheby's auction totalled $77.9m – within its pre-sale estimates – for 57 lots, of which only 14 relatively minor works were unsold.

The Monet sold above its $10m estimate. Most other lots were spot on target, suggesting bidders are now better advised about true value. "After the Bath" by Degas went for $6.6m and another nude, "The Mantelpiece" by Bonnard, sold for $3.6m. There was strong demand for a cast of Rodin's bronze of Balzac, which sold for $3.5m. "Flowers in a Vase" by Van Gogh fetched $4m. **Antony Thorncroft, New York**

BOEING INSPECTIONS

Chafing revealed on 737s

The US government yesterday said inspections on 185 Boeing 737s revealed that 106 wiring bundles had noticeable chafing in the insulation and plastic coating protecting their fuel pump wires. Each aircraft has at least two wire bundles; some had no problems while others had trouble in some or all of their bundles. The Federal Aviation Administration report yesterday also indicated that the most serious problems appear to be on the fleet's oldest aircraft. **AP, Washington**

Venezuela tax reform may be voted down

By Raymond Colitt in Caracas

A long-awaited tax reform proposed by the Venezuelan government has run into widespread opposition and may be rejected by Congress.

Freddy Rojas Parra, finance minister, late on Wednesday presented a legislative proposal that would increase the wholesale tax (ICSVM) from 16.5 per cent to 18 per cent and widen the tax base by lowering the threshold of taxable annual sales from 40m bolivars to 29m bolivars ($54,000). The threshold would be progressively lowered through to the year 2002.

The tax reform is to go into effect on August 1 and is projected to raise some 160bn bolivars ($298m).

In an increasingly belligerent campaign before December's presidential elections, the bill was immediately criticised as inflation-fuelling and politically unfeasible. "It's the worst possible formula they could have chosen – proposing a tax bill without consulting Congress," said Gustavo Tarre Briceño, who heads the house of representative's finance committee.

Mr Tarre said Congress was unlikely to approve the bill, which he thought could fuel inflation without generating revenue "because of the high probability of evasion".

Rejection of the bill would raise fears that the government's budget deficit could exceed 3.4 per cent. The government has cut expenditure by $1.7bn after a drop in oil prices led to a revenue shortfall of $4.6bn in the 1998 budget. Industry leaders said the elimination of ICSVM exemptions would have been preferable to the proposed tax increase.

"They miscalculated the political impact," said Enrique Ball, head of the industrial chamber Conindustria.

MOVE TO SCRAP CURBS PROSPECT OF SENATE ACTION THIS YEAR IS SEEN AS SLIM

US banks to fight financial bill

By Mark Suzman in Washington

The US banking industry yesterday vowed to fight a bill to scrap curbs on financial services companies that was narrowly passed by the House of Representatives on Wednesday night.

The prospects of Senate action on the issue this year are seen as slim. Alfonse D'Amato, chair of the Senate Banking Committee, has said he would only consider the bill if it had broad bipartisan support in the House.

The bill was approved by one vote. Given the fact Mr D'Amato is having to devote much of his time to a tough re-election fight in this November's Congressional elections, it is viewed as unlikely he will pursue such controversial legislation.

After a ten-hour floor debate, the House voted 214-213 to approve the bill to scrap the 1933 Glass-Steagall Act and allow banks, insurers and securities companies to compete in each other's territory. It was the 10th time in 20 years the House had considered such legislation, and the first time it had passed.

In recent years, some barriers between the industries have broken down due to independent action by regulators, but backers insist formal legislative reforms are needed to keep pace with technological changes that have increasingly allowed the industries to operate in other sectors.

Without such legislation, the proposed $70bn merger between Citicorp and Travelers, the bank and insurance groups, and other deals like it could be jeopardised. The Republican leadership, which had supported the bill, immediately hailed the vote as historic.

"It strengthens the competitive position of America's financial services sector internationally and empowers community banks and small financial institutions to ensure competition and consumer choice," said Jim Leach, chair of the House Banking Committee and the legislation's chief sponsor.

Donald Ogilvie, executive vice-president at the American Bankers' Association lobbying group, said that while banks supported financial services reform in principle, they were opposed to the present proposals. "The fact this legislation passed by only one vote shows clearly there is no consensus for this controversial bill," he declared.

The banking industry opposes provisions in the bill that would transfer much of the authority for overseeing the banking sector from the Treasury to the Federal Reserve. Alan Greenspan, Fed chairman, supports the move: Robert Rubin, Treasury secretary, has warned he would recommend President Bill Clinton veto the bill if it were passed in its present form.

Despite heavy lobbying by Republicans, the bill only passed after John Dingell, ranking Democrat on the House Banking Committee, and several other Democrats agreed to support it in exchange for Republican backing for an amendment designed to give greater protection to consumers.

The final bill contained an amendment to restrict the ability of financial services firms to invest in commercial companies, that had been opposed by insurance and securities groups. But both the American Insurance Association and the Securities Industry Association urged the Senate to consider the matter at once.

هكذا من الاصل

International Executive Committee of Allianz AG – from the top left to the bottom right: Joe L. Stinnette, Jr. (Fireman's Fund), Michael Diekmann (Allianz Asia Pacific), Alexander Hoyos (Allianz Elementar), Gerd-Uwe Baden (Elvia/Berner), Detlev Bremkamp (Allianz), Reiner Hagemann (Allianz), Helmut Perlet (Allianz), Herbert F. Hansmeyer (Allianz), Gerhard Rupprecht (Allianz), Angelo Marchiò (RAS), Diethart Breipohl (Allianz), William Raymond Treen (Cornhill), Henning Schulte-Noelle (Allianz), Lowell C. Anderson (Allianz Life), Dominique Bazy (Allianz France)

All companies of Allianz group welcome AGF.

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TRADE ON THE INTERNET

US and Japan agree electronic commerce rules

By Guy de Jonquières

The US and Japan have agreed a set of basic principles for the development of electronic commerce, which the US says will help promote worldwide acceptance of its policies towards the internet.

The US is hailing the agreement, which calls for a market-based approach led by the private sector, as a victory in its campaign to persuade Japan to act more aggressively to deregulate its economy.

The agreement will be announced when US President Bill Clinton and Ryutaro Hashimoto, Japan's prime minister, meet in Birmingham today before the G8 summit.

A joint statement commits the two governments to refrain from imposing unnecessary restrictions on electronic commerce, and to encourage the development of self-regulation by private sector internet users.

The agreement calls for no border tariffs to be imposed on international electronic transmissions, and for close co-operation to prevent tax evasion and avoidance on the internet.

The statement coincides with a last-minute push by the US to persuade World Trade Organisation members to agree to keep electronic transmissions duty-free, before President Clinton attends the WTO's ministerial meeting in Geneva on Monday.

The US hopes its agreement with Japan will place pressure on the European Union to take a more flexible stance in disputes over data protection rules and methods for authenticating electronic transactions.

Washington and Brussels are at loggerheads over an EU law, which could require the US to establish statutory rules and set up government regulatory agencies to ensure the protection of personal data.

The EU has threatened to prohibit European companies from transmitting electronic data to the US, if it does not comply with the law by October. Data protection in the US is largely provided by self-regulation by the private sector.

The US and EU also differ over whether responsibility for authenticating electronic transmission should be left to the private sector or should require government licensing arrangements.

The US-Japan agreement also calls for the free flow of information across borders, the use of filtering devices rather than government censorship to protect children against undesirable content and guarantees that internet users will match the levels of consumer protection of conventional commerce.

The White House said Japan had agreed to the statement because electronic commerce was a new area, in which there were no vested interests to oppose a market-oriented approach.

"Progressives in the Japanese government and industry hope that this agreement will be a model for the future," it said.

BA ready to end airline dispute

By Michael Skapinker, Aerospace Correspondent

British Airways is ready to end its dispute with US Airways and welcome it into its planned alliance with American Airlines.

BA and US Airways were once partners, but have been involved in a dispute since 1996, when the UK carrier announced its alliance with American. US Airways began action against BA in the US courts over its decision to link with American.

Robert Ayling, BA's chief executive, and two of his colleagues resigned from the US Airways board. BA also sold its minority stake in US Airways. But American and US Airways recently announced a new marketing agreement.

This led to speculation that US Airways would join a worldwide alliance, to include American, BA, Qantas of Australia, Japan Airlines and Canadian Airlines. Such a link-up would offer strong competition to the Star Alliance, the six-airline partnership led by United Airlines of the US and Lufthansa of Germany.

The American-BA tie-up has yet to win approval from regulatory authorities in Brussels and Washington. But the European Commission is expected to propose conditions under which the alliance could proceed within the next few weeks.

The US authorities are expected to give their verdict in the autumn. The US and UK would also have to conclude an "open skies" agreement before the alliance was allowed to go ahead.

American is believed to have told BA it is talking to US Airways about a marketing alliance and to have kept it informed. Observers say BA would be interested in bringing in US Airways as a full member of the alliance. It could also conclude a new bilateral pact with US Airways, to match the US carrier's link with American.

Internet boost for European companies

By Paul Taylor in London

Nearly a quarter of European companies with access to the web are already earning revenues through the internet, according to the preliminary findings of a new Mori study into the growth of electronic commerce in Europe.

The study, commissioned by Cisco Systems, the worldwide leader in networking equipment, suggested European companies have begun to recognise the importance of the internet for their businesses and to close the gap with their US counterparts.

The survey was based on interviews with 900 business directors in six European countries – UK, Germany, Italy, Spain, the Netherlands and France – from a cross section of large, medium and small companies.

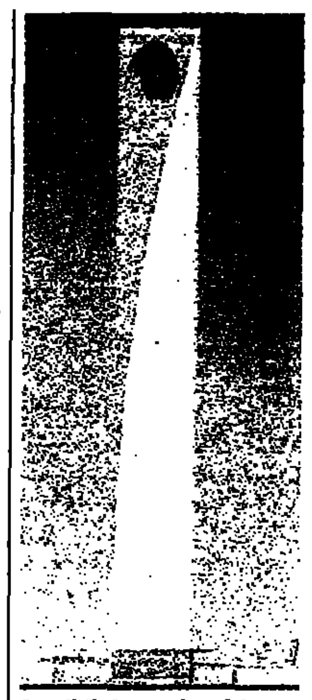
Overall, 60 per cent of companies now have access to the internet, with 20 per cent planning to gain access within the next 12 months. Almost half those questioned thought adoption of electronic commerce will be important to their industry and 60 per cent expect the amount of business they do online to rise next year.

On average, these companies predicted an annual rise of 24 per cent in electronic commerce. Most companies expected the volume of orders they take over the internet to grow substantially this year and thought that ideally, 30 per cent of their business should be undertaken electronically in the future.

Somewhat surprisingly, the survey also revealed Spain is leading Europe in the adoption of electronic commerce with 46 per cent of companies with web access already conducting business over the internet. Spain is followed by France (33 per cent) and Germany (20 per cent) while companies in the UK, Netherlands and Italy appear to be lagging.

Among those companies already involved in e-commerce, 58 per cent claimed to be making savings as a result with gains in productivity cited as the biggest benefit. "Our own experience has shown significant savings can be made using the internet," said Richard Freemantle, in charge of Cisco's Northern European operations.

Among the other findings, Spanish and UK companies lead in provision of customer service over the internet while the UK and the Netherlands lead in using the internet for recruitment.



An artist's impression of the 460m-high Shanghai World Financial Centre

Shanghai property glut delays building of highest skyscraper

By James Harding in Shanghai

Completion of the world's tallest skyscraper will be delayed by a year, Mori Building, the Japanese property group, has admitted despite previously denying that Asia's economic turmoil could affect the prestige project.

The delay to the 94-storey building in Shanghai's embryonic financial district follows decisions by other Asian developers to put off or scale back investments in China's largest city, where a frenzy of construction in the last few years has lead to a property glut.

The oversupplied commercial property market is threatened further by concerns about office tenant demand, as investment and export growth in Shanghai have recently started to feel the pinch of the region's economic pain. Minoru Mori, one of the world's wealthiest men despite the slide in the value of his fortunes with the collapse of property prices in Japan, is reported by company officials to have decided that "there is no need to hurry" to finish the Y75bn ($577m) building.

"There is a general delay of one year," a Mori representative in Shanghai said yesterday. The building would now be completed in 2002 rather than 2001 because of a technical wrangle over tax exemptions for the project and the need to wait for what Mori anticipates will be a fresh burst of demand early next century.

He said the office tower could be finished even later, perhaps 2003, depending on economic growth, tenant demand and the business environment in China.

However, Mori remained committed to the project and the company believed the delay would mean the office space became available just as Asian economies started to recover.

The Shanghai World Financial Tower, which is 10m taller than the Petronas Towers in Kuala Lumpur, is being built in Pudong, the formerly deserted eastern bank of the Huangpu river in Shanghai which the government hopes to turn into China's Wall Street.

Shanghai's building boom in the 1990s has brought as much new office space to the city as currently stands in downtown Hong Kong, prompting a crash in property prices. Sam Crispin, analyst at First Pacific Davies, the property services group, calculates vacancy rates in Pudong at over 60 per cent.

Economic troubles at home and the weakness of Shanghai's commercial property market have forced other Asian companies to reassess projects in Shanghai – they include Thailand's CP Group which is considering scaling down its planned $300m shopping centre in Pudong and South Korea's Daewoo has delayed its plans for a residential complex also in Pudong.

Tough talking looms on US laws

By Neil Buckley in Brussels

European Union and US negotiators are set for a weekend of intense negotiations to try to end the long-running dispute over US laws restricting investments in Cuba, Libya and Iran, after EU ambassadors yesterday pressed for more concessions from the US.

Brussels-based ambassadors have been put on standby for a possible meeting on Sunday to approve any proposed deal, before the summit between US president Bill Clinton and Tony Blair, prime minister of the UK – which holds the EU presidency – on Monday.

"I think it is clear that if there is an agreement, it will be at the very last minute," one EU official said.

Both sides are committed to trying to solve the row over the Helms-Burton legislation, which penalises companies investing in expropriated former US property in Cuba, and the Iran-Libya Sanctions Act, banning investments in the oil industry of those countries, before the London summit. The EU is unhappy about the extra-territorial nature of the laws.

Any deal is likely to involve three elements – agreements on common "disciplines" on investments in expropriated properties, and common "principles" on trade sanctions on third parties, plus permanent waivers of the two laws for the EU.

But EU ambassadors, who met to discuss progress yesterday, insisted European Commission negotiators should press for firmer guarantees from the US of "secure and lasting" waivers from all forms of extraterritorial legislation. European companies should be able to make investment decisions with confidence that they could not be hit by unforeseen US sanctions. Waivers proposed by the US are thought to include certain exceptions.

The US administration is constrained by strong lobbies in Congress calling for a tough stance against "rogue" states. US officials say several senators have written to President Clinton urging him not to give too much ground to the EU.

NEWS DIGEST

TURKISH TELECOMMUNICATIONS

Motorola secures $500m mobile phone contract

Telsim Mobile, Turkey's third cellular phone operator, has placed a $500m contract with Motorola of the US for GSM systems and networking infrastructure.

GSM, or Global System for Mobile telephony, is a European specification which is now the de facto world standard for digital mobile phones. The Telsim contract is thought to be the largest to date for GSM equipment. Telsim has been operating a GSM network in Turkey in competition with the government-owned TurkTelecom since 1994. Last month it paid $500m in licence fees to the Turkish government for the right to operate a GSM network for the next 25 years.

The Motorola contract covers the supply of the the GSM system and base stations to be installed throughout Turkey over the next three to five years. All major cities will be covered. Adrian Nemcek, general manager of Motorola's Cellular Infrastructure Group said: "Turkey is a market with huge opportunity." It has 1.5m GSM subscribers – a total expected to rise to almost 7m by 2002. **Alan Cane, London**

SHRIMP FISHING

US plans WTO ruling appeal

Washington will appeal against a World Trade Organisation ruling that a US ban on shrimps from countries that do not protect endangered sea turtles is a violation of international trade law. US environmentalists have bitterly attacked the WTO panel report issued last month which they say wilfully misinterprets trade rules permitting exceptions for measures intended to protect the environment. Countries are not normally allowed to discriminate between products based on how they are produced. Upholding a complaint by India, Pakistan, Malaysia and Thailand, the panel said the US could not unilaterally impose its environmental standards on others by requiring third countries to use turtle excluder devices on shrimping nets that are obligatory for US boats. Some 150,000 sea turtles are drowned each year in shrimping nets, according to environmental groups. Though US officials have said the WTO ruling will not change US law, environmentalists have urged President Bill Clinton to pledge action when he addresses WTO ministers in Geneva on Monday to make trade rules less inimical to environmental concerns. **Frances Williams, Geneva**

BURMA SANCTIONS

Premier Oil defends presence

Premier Oil, the UK independent exploration and production company, yesterday defended itself against allegations that its investment in Burma amounts to support for the country's military regime. Charles Jamieson, chief executive, told shareholders at the annual meeting that the company's "constructive engagement" and socio-economic development programmes would benefit Burmese people more than economic sanctions.

Last year Premier Oil and Petronas, the Malaysian state oil producer, increased their stake in the Yetagun oil and gas field consortium by buying assets from Texaco of the US.

The sale followed US investment sanctions against the regime, which has been criticised by the United Nations for human rights abuses and for preventing the country's National League for Development from taking power.

Pressure groups and Burmese exiles have alleged that a Premier Oil pipeline would run through land where an estimated 25,000 people have already been forcibly relocated by the Burmese military. **Gautam Malkani, London**

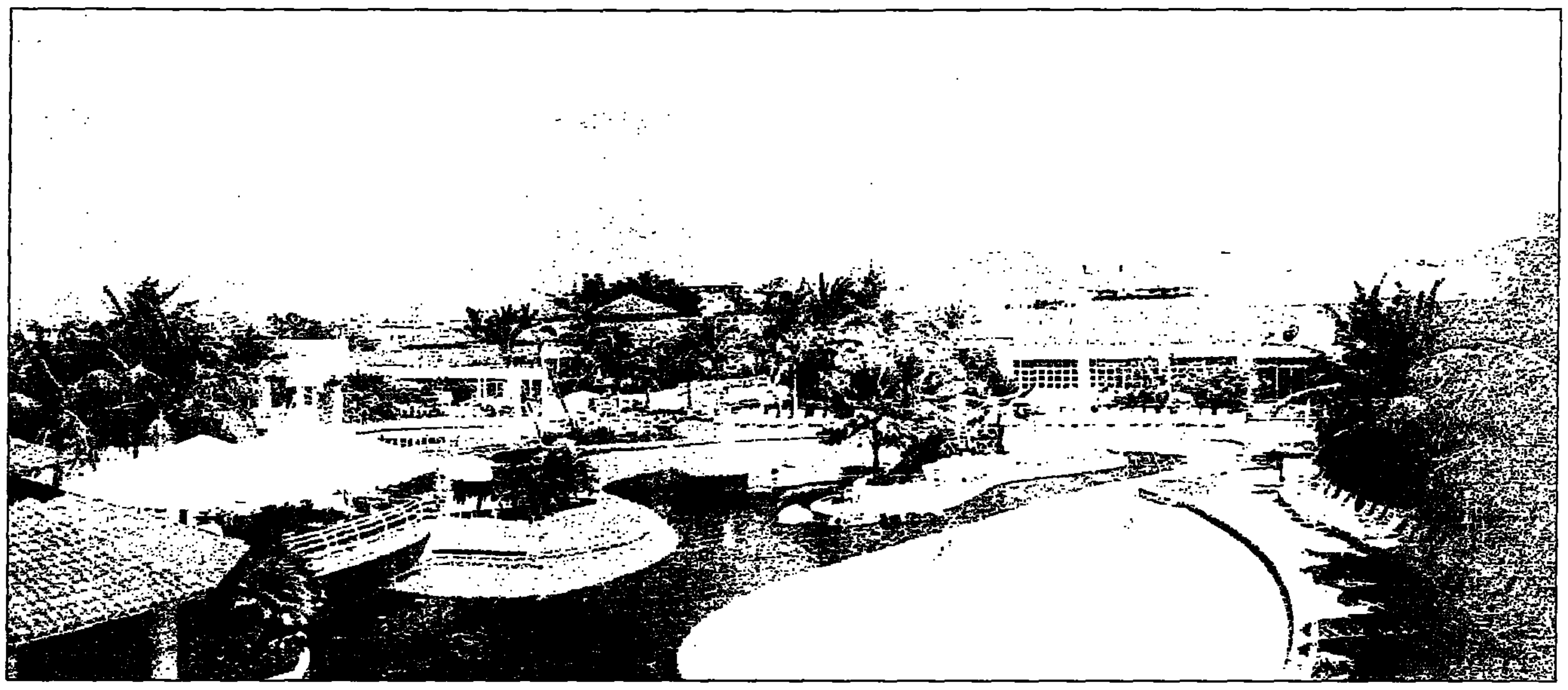
REPUBLIC OF VENEZUELA

FUND FOR THE GUARANTEE OF DEPOSITS AND BANKING PROTECTION

FOGADE

NOTICE TO INVESTORS

In accordance with the Venezuelan Financial Emergency Regulation Law, enacted on April 17th, 1996, FOGADE invites investors to participate in the Data Rooms for the auctions of **Golden Rainbow Maremares Resort and Spa (Hotel Maremares)** and the **Hotel Balcones del Mar**, under construction. This process will begin on May 4th, 1998



The project integrated by **Hotel Maremares, Hotel Balcones del Mar** and **Puertos del Sol (Sunports)** was conceived as a global development project on the Caribbean Sea, offering visitors a tourist complex with 1,000 five-star rooms, and a dock capable of berthing simultaneously up to 4 cruise liners and two tourist docks located one in each hotel with a capacity for 250 berths. The construction area of these three projects is approximately 500,000 m². In addition, access to this complex, that is located in the most exclusive zone of El Morro, is facilitated by excellent roads and the airport of Puerto La Cruz. The concept of the project ensures constant flow of tourists during the year, attracted by the excellent weather and the strategic geographic location of Venezuela.

Golden Rainbow Maremares Resort & Spa PUERTO LA CRUZ

LOCATION: El Morro Tourist Complex, Puerto La Cruz, Anzoategui State. Venezuela

CATEGORY: 5 Stars / **OCCUPANCY:** 70 %

TOTAL SURFACE AREA: 72,818 m² / **GROSS CONSTRUCTION AREA:** 40,406 m²

DESCRIPTION: Maremares is a low rise extensively developed hotel. The complex is based around a central building housing embracing a group of swimming pools. The central building has three main areas, lobby, reception and bar. Additionally, there are conference rooms, a party room, service areas and various restaurants. The central building is a one level complex. The first stage (Frentes Building) is based on three level modules, containing three or four rooms per floor, with a total of 292 rooms. The second stage has seven buildings with three floors each and 201 rooms.

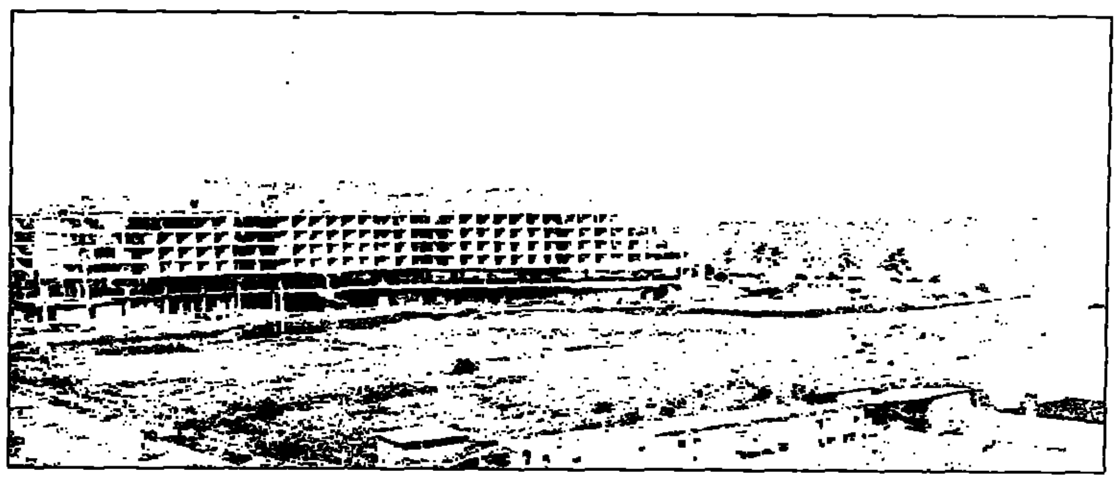
ROOMS: 493 (79 standard, 169 superior doubles, 127 luxury doubles with a view of the golf course, 72 luxury doubles with a pool view, 9 junior suites with golf course view, 8 junior suites with a view of the marina, 17 junior suites, 3 senior suites with jacuzzi and golf course view, 4 senior suites with jacuzzi and marina view and a presidential suite)

FOOD AND BEVERAGE SERVICE: 3 restaurants (*Las Brisas, Oasis* and *Al Fresco*), the bar (*Wiskey's*), the cafe/concert style Salon *Panache* and 1,200 sq. meters Convention Hall, Salon *Mare Mares*/ **RECREATION AND SPORTS AREAS:** swimming pool with waves, children's pool, 2 illuminated tennis courts, 2 squash courts, spa with jacuzzi, sauna and gymnasium and free access to a 9-hole golf course.

GENERAL SERVICES: Parking for 180 vehicles in an area of 1,697 m², entry booth and marina office.

CASINO: The complex complies with the requirements demanded by Venezuelan Casino Law for this type of establishment.

MARINA: Has a 38 berth capacity, contained in an area of 1,482 m².



BalconeS del MaR

LOCATION: Lago Mar Cultural Center Zone of La Salina Sector, El Morro Tourist Complex, Puerto La Cruz, Anzoategui State. Venezuela

CATEGORY: The project contemplates the construction of a five-star hotel.

SURFACE AREA: The parcel has a total area of 37,921.09 m², approximately. It contains a land portion of 33,806 m² plus two water portions, that together total 4,115.09 m²

DESCRIPTION: Thr project known as **Hotel Balcones del Mar** has a flat topography with a slight inclination for drainage. It has the following public services: electrical service, fresh water ducting, public transportation, asphalted road access, navigable canals and waters disposal. Based on a planned zone, these parcels would become the Cultural Center for the Northern Sector of the El Morro Tourist Complex.

ROOMS: 441 main rooms, 31 suites and 14 commercial locations according to project.

FOOD AND BEVERAGE SERVICE: Spaces for cafeteria, restaurant, night club, pool bar, pool coffee shop and cocktail bar lounge. Space for convention and meeting rooms.

GENERAL SERVICES: Area for shops (13 spaces), reception and administrative areas.

Investors interested in participate in the Data Rooms should communicate with José Bosque or Freddy Farfán on (582) 541.94.10, (582) 541.41.78, (582) 542.04.92, (582) 541.16.44 or Fax (582) 542.12.42, (582) 542 04 97 or by E Mail: fogade@compuserve.com or address the head office of FOGADE: Corner of San Jacinto, FOGADE Building, 13th Floor, Caracas. Venezuela.

Japanese lending in record fall

By Alexandra Harney in Tokyo

Lending by Japanese banks fell by the biggest amount on record last month, suggesting the credit crunch afflicting domestic businesses is worsening. The figures were published by the Bank of Japan yesterday as new data were issued that showed continued falling machinery orders and lacklustre department store sales.

Bank lending last month fell 2.5 per cent from the same period last year. Japan's banks, burdened by bad loans, are making huge write-offs and contracting their balance sheets in an effort to improve their balance sheets. In March, lending fell 1.6 per cent.

The scarcity of capital has fed through to new machinery orders which fell 5.2 per cent year-on-year in March, according to the Economic Planning Agency (EPA). Private-sector machinery shipments fell 0.3 per cent to Y28,621bn ($220bn) in fiscal year 1997, the first decline in four years, the EPA said.

Orders in the current quarter were predicted to fall 8.1 per cent, the first decline since the first quarter last year, said the EPA. However, month-on-month data showed a 9.5 per cent rise. Demand from overseas remained subdued, added the agency.

Investment has also been held back by lower production and weak consumer demand. Although department store sales in Japan increased 7.4 per cent year-on-year to Y181bn in April – the first month they had improved in 13 months – the rise did not signal a lasting recovery in sales, the Japan Department Stores Association warned yesterday. The association said the figures benefited from a comparison with last year when sales fell sharply after an increase in consumption tax.

INDONESIA VIOLENCE: BUSINESS BATTERED AS ARMY CHIEF INSISTS HE WILL RESTORE ORDER BUT TROOPS FAIL TO HALT RIOTING

Economy hit as Jakarta is paralysed

By Sander Thoenes in Jakarta

Business ground to a halt or went up in flames in Jakarta yesterday, leaving Indonesia's financial and business centre paralysed and putting further strain on the battered economy.

Dozens of bank offices, supermarkets, restaurants and shops were stoned, plundered and torched. Most Indonesian banks and many shops are owned by ethnic Chinese, who were the prime victim in yesterday's mayhem because of their relative prosperity. Mobs tore through Chinese neighbourhoods, burning Chinese shops and attacking families who tried to flee in their cars.

A villa of Indonesia's richest businessman and a close business associate of President Suharto, Liem Sieo Liong, was torched along with five of his cars.

Most shops and banks closed down, offices and factories sent their staff home if they had opened at all yesterday morning.

Staff who showed up often found themselves unable to leave the office as riots spread and roads were closed off by police.

Foreign enterprises and franchises were also targeted, but most expatriate workers stayed at home, tried to get to the airport or headed south out of the city. Nine leading international schools closed their gates and kept toddlers and teenagers inside, with military posted in the area to prevent an attack.

Embassies urged their citizens to defer non-essential travel to Indonesia and said they had approved the departure from the country of family members of embassy staff. Many urged expatriates to stay indoors. Japanese companies told dependants of employees to get out of the country.

The toll road to the airport was blocked and most outbound flights were booked up. Singapore Airlines said it was considering extra flights from Jakarta.

The prices of most shares dropped, with companies of Mr Suharto's children losing up to 20 per cent, but trade was thin as most traders headed home early.

The impact on Indonesia's political risk rating and any remaining investor interest is likely to be severe. Earlier in the week, Tanri Abeng, the minister for state enterprises, said several potential bidders for privatisation tenders had already dropped out, citing political risk. Indonesia's budget, agreed with the International Monetary Fund, had counted on significant privatisation revenues to offset a sharp drop in tax and oil export revenues.

The worst damage, however, will be to the confidence of the ethnic Chinese investors, who control more than two thirds of the economy and have been funnelling their savings abroad for months, helping to push down the rupiah. While few are expected to leave for more than a short break until order is restored, their money is likely to stay in Singapore and Hong Kong for some time.

Riot police stand by as central Jakarta burns AP

Military chief appeals for calm

By Sander Thoenes in Jakarta

General Wiranto, chief commander of the Indonesian armed forces, appealed for calm yesterday and insisted the military would restore order, but his troops let rioters run wild in many streets in Jakarta and failed to curb protests in other cities.

Gen Wiranto, the most powerful man in President Suharto's absence, insisted that the military would restore order and would "not hesitate to use force against rioters".

A moderate who has emerged as a potential alternative to President Suharto, Gen Wiranto criticised students for moving their protests into the streets, actions which he said had provoked yesterday's violence.

"Stay on campus because when students go into the streets others may join and start destroying everything," he said.

During two public appearances yesterday Gen Wiranto made an effort to sound reasonable. "ABRI (the acronym for the military) agrees with reform but it has to start with what is already there, rather than destroy and rebuild," he said.

He notably avoided stressing his loyalty to the president but gave *no indications* to the contrary either, disappointing those who had hoped he would use the unrest to take over from Mr Suharto.

Gen Wiranto assured student protesters that a team of military investigators would try to find out who shot dead six students on Tuesday, the incident which triggered the riots. He denied giving the order to shoot and apologised for the army's failure to prevent the killing. But he stopped short of condemning the killings, saying merely that some army rules appeared to have been violated.

Meanwhile, police and troops protected key buildings but many were seen chatting with bystanders, as mobs rampaged through nearby shops.

The military also let thousands of people protest freely but peacefully in Surabaya, Indonesia's second city.

It remained unclear whether Gen Wiranto had ordered his troops to limit their efforts to strategic sites, as they were far outnumbered by the looters, or whether his orders were ignored. The latter possibility could prove disastrous for President Suharto's efforts to restore order when he returns today.

US looks for ways to stop Pakistan retaliating

By Gerard Baker in Eisenach, Germany and Stephen Fidler in Washington

The US yesterday stepped up the pressure on Pakistan not to test a nuclear weapon in response to this week's Indian tests as signs grew *that Islamabad* was preparing to detonate a nuclear device.

Strobe Talbott, the deputy secretary of state, and General Anthony Zinni, the head of US forces in the region, arrived in Islamabad yesterday for meetings with senior Pakistani officials in an attempt to resolve the crisis in south Asia.

The two were expected to offer a number of possible inducements to Pakistan if it resisted mounting domestic *pressure for a show of* nuclear strength after India's five successful tests conducted this week.

But a senior US official, speaking before the two men *arrived, indicated* Washington had reason to believe Pakistan's preparations for a test were well under way.

"We are watching it very carefully. There are some signs that are troubling. We hope they don't do it," he said.

In Islamabad government *officials said Pakistan* was now closer to conducting the test than ever. "India's actions which cause an immediate and grave threat to Pakistan's security will not go *unanswered*," *said* Munir Akram, Pakistan's ambassador to the UN disarmament conference in Geneva.

India's nuclear tests have already reversed a gradual US rapprochement with New Delhi – and may lead it to favour once again its old ally *in the region, Pakistan*, security experts in the US said yesterday. But this move depends crucially on whether Pakistan decides to conduct its own tests.

From the US point of view, the first step has been to show that India's nuclear tests do not prove costless. President Bill Clinton could have delayed for 30 days the imposition of sanctions against India for national security reasons but chose not to. At the very least, *India's aspirations* for a permanent seat on the Security Council appear dead for some time to come.

Khurshid Khoja of the Henry L. Stimson Centre, a Washington *think-tank* says the US has significantly more economic and military leverage over Pakistan.

Pakistan's economy is weaker and hungrier for foreign exchange and the US has a defence commitment dating back until 1959 to defend Pakistan from foreign aggression.

However, ties have been strained in the 1990s. Pakistani politicians felt left in the lurch by the US in the 1990s, when because of the *end of the cold war the US* lost interest in Afghanistan. Almost immediately, US legislation – the so-called Pressler Amendment – cut off military exports to Pakistan. Pressler was softened by later legislation, but still represents a block to bolstering military support for Pakistan. However, the administration is looking to interpret this legislation creatively, and there have been indications that some legislators would back a repeal.

Cautious budget unveiled in NZ

By Gwen Robinson in Auckland

New Zealand's centre-right coalition yesterday announced micro-economic and social policy reforms in its second annual budget, designed to bolster business support and shore up faltering international confidence in its economic management.

Economists welcomed the measures as "fiscally responsible steps" that would attack the country's heavy debt load, maintain a modest surplus and curb spending in the face of weakened growth prospects.

But the response from financial markets was muted. The New Zealand stock market rose 7.64 points to end at 2,236.33 and the NZ dollar remained at a near-five-year low of US$0.5325.

In bond markets, yields on November 2006 bonds rose marginally to 6.79 per cent from 6.78, reflecting mild concern that the government's plan for a NZ$2.7bn *(US$1.47bn) bond tender* programme exceeded market expectations by about NZ$300m.

Winston Peters, the treasurer, said the budget measures were "*firm, fair and visionary*".

The budget featured a micro-economic reform package; a commitment to reduce national debt to 15 per cent of gross *domestic product* from the present 20 per cent within five years; and public spending cuts that would reduce a promised NZ$5bn spending programme by about 6 per cent over the next two years.

But the budget – for the year to June 1999 – bore scars from Asia's economic crisis. Growth in GDP is expected to slow to 2.6 per cent in the current year and 2.7 per cent the following year, from a previous forecast of 4 per cent.

New Zealand's current account deficit is expected to peak this year at NZ$7.8bn or 8 per cent of GDP.

The budget accelerated privatisation with plans to sell the government's stake in Auckland international airport and proceed with the divestment of Solid Energy, the coal company.

India stands firm as US sanctions start to bite

Rupee falls to all-time low against dollar as Delhi shrugs off political risk, **Krishna Guha and Amy Louise Kazmin** report

India yesterday put a brave face on economic sanctions imposed by the US in the wake of its nuclear tests this week, even as the measures began to bite and the rupee fell to an all-time low against the dollar.

Leaders of the ruling Hindu nationalist Bharatiya Janata party (BJP) said the economy "can stand on its own feet". The sentiment was widely shared in the business community. One industrialist said: "A sanction here or there is not going to put us off our course".

India's equity markets, which lost 6 per cent in the first two days after the tests began on Monday, rose 3 per cent on hopes the government would announce a test moratorium. But the rupee fell to 40.7 before recovering a fraction to close at 40.5 to the US dollar. Economists said the sanctions were "quite modest". But they will hit India where it hurts most: development of much-needed infrastructure projects such as power, telecoms, roads and ports.

R. Kumaramangalam, the power minister, said interest in investing in India remained high. Since the tests, delegations from the US, Australia and Chinese *power companies had dis*cussed possible investment. India would issue long-awaited counter-guarantees to three fast-track power projects, he added.

The US Export-Import (Exim) Bank, an important financing institution for infrastructure projects in the developing world, has already frozen approvals for financing of exports to India.

This will affect deals worth $500m for six projects in the pipeline. The Exim blockade will make it tougher and costlier for US companies such as Enron, Cogentrix and AES, which are seeking to build power plants in India, to bring projects to financial closure.

Telecoms projects including provision of basic services in Maharashtra and Andhra Pradesh, which have not yet closed vendor credits, could be hit. Industry executives said private-sector finance might be available, but would be shorter term and at higher rates.

Political risk insurance and equipment finance will also be harder to acquire. With one big lender out of the play, "you can have rising rates even among those who do lend," said the representative of one *multinational* power company. "It can hit infrastructure hard."

The US, Japan, Germany and other countries have frozen development grants. *Japan has also frozen new* yen loans to India. Japan is India's largest donor, Japanese grant aid to Delhi totalled Y3.5bn ($26.4m) last year; yen loans amounted to Y133bn in 1997.

Grants so far withdrawn are small, but their absence will affect transfer of expertise, such as the recent efforts by US Aid to help the *city of Ahmedabad shake up* its civic finances.

The cost will rise if the US blocks India's access to funds from the World Bank, Asian Development Bank and other international institutions. *India is due to* receive $3bn from the World Bank alone this year, which it uses to finance projects such as Bombay's new sewerage system.

The impact on India's broader economy and private sector is harder to gauge, partly because the exact extent of the US sanctions are not yet known.

"It's the first time the US is implementing this law and I do not think there's an established procedure," said Uday Kotak, vice-chairman of Kotak Mahindra invest*ment bank. Confusion exists* over what effect if any it will have on US banks in India.

"Cash reserve requirements of commercial banks automatically become government borrowing," said *one US banker in Bombay.*

The legislation could be interpreted to bar US banks from lending to India's vast public sector or taking part in privatisations. But econo*mists said US sanctions* would slow rather than derail growth. "My personal feeling is that at best it will be a marginal impact," said Surjit Bhalla, president of Oxus Investments.

The cost would be much greater if the US could persuade the European Union and Japan to impose similar measures. When news of the *tests hit the markets, soft*ware stocks fell on fears that the US, which accounts for 60 per cent of India's $1bn a year software exports, could hit back with trade sanctions.

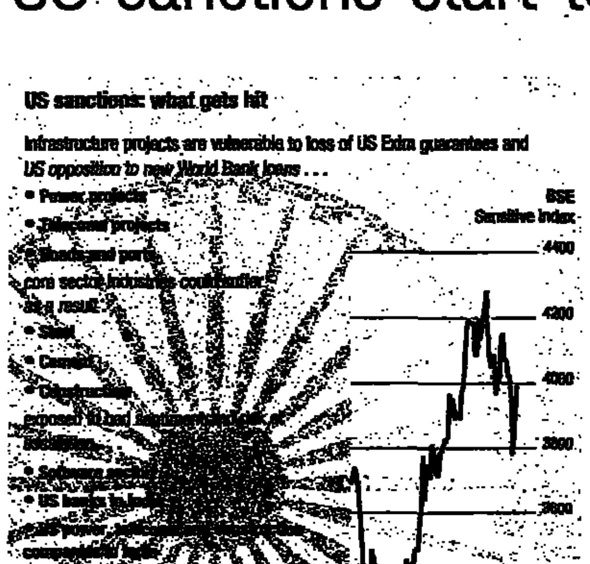
Software shares have since recovered. "US industry needs Indian companies to tackle the year 2000 [computer] problem," said Kiran Deshpande, chief executive of Mahindra British Telecom. Analysts are now marking down stocks in the core infrastructure business, and those which supply cement, steel and construction products to it.

Banks and consumer industries are seen as safe havens. Economists said the real threat to India was the effect sanctions might have on international private-sector capital flows. One US bank has already cut its estimates of foreign direct investment from $3.5bn to $2bn, and foreign portfolio investment from $2.5bn to $1bn this year.

"It is the private flows which matter," said a senior Indian banker. The perception of political risk had increased, and there was a risk India would be lumped *with other "problem mar*kets" in Asia. Analysts said India could try to win back private-sector confidence by announcing a radical reformist budget on June 1.

"The budget can swing everything; I think it will," said Mr Bhalla. But this assumes India can cool international anger and prevent sanctions spreading to the *EU and Japan by taking* steps to sign the test ban treaty. If it prolongs the crisis, and produces a protectionist budget, economists are taking seriously the *prospect of foreign capital* outflows, faltering exports and a balance of payments crisis.

US sanctions: what gets hit



Fuel for tests: security and national pride

By Quentin Peel

The world's nuclear powers, led by the US, were clearly taken by surprise by India's series of nuclear tests this week, and failed to spot either political or practical preparations.

The question of how to respond will be top of the agenda for the Group of Eight summit hosted by Britain in Birmingham, but top officials have still to put forward a strategy. Political directors of the eight major industrialised powers, including Russia, will meet today to seek a common line.

Yet the probability of such an action by India has been high, ever since the election of *a new government* in March, headed by the Hindu nationalist Bharatiya Janata party.

The BJP was elected on a *platform which* included a commitment to end India's ambiguous nuclear stance: it had known nuclear capacity – ever since a first "peaceful" test in 1974 – but had never *developed* that knowledge into warheads or missiles.

In carrying out the tests, however, the BJP was reflecting a broad national consensus on the need to *bring* the country's covert nuclear power into the open. Reaction has been positive from all sides of the political spectrum and almost unanimously praised in the media.

Most commentators believe that preparations for the tests pre-dated the BJP government. *Indeed*, two years ago US spy satellites identified preparations for such underground explosions at the Pokhran test site, and managed to persuade the then government not to go ahead. On this occasion, the preparations apparently went unnoticed.

Both security concerns and national pride lie behind the action. On the security front, most analysts insist that it is a *fear of China* – a known nuclear power – and not Pakistan, which has prompted the action. But it is Pakistan which will be under the greatest pressure to react.

The Pakistani government is facing a wave of nationalist demands to carry out its own nuclear tests. The US and the rest of the G8 are urgently seeking to dissuade it, for fear of a regional arms race. But it is thought very unlikely that Pakistan can develop a capacity to rival that of India, not least because it has very limited stocks of highly-enriched uranium.

India itself is still far from turning potential nuclear warheads into armed missiles. Its Jaguar fighter bombers might be able to drop unguided missiles, but it has yet to complete development of the medium-range Agni missile, which could reach targets in central China.

Although the US and Japan have immediately announced sanctions against India, it is doubtful that the G8 will agree on universal sanctions. Russia is an *old Indian* ally, and although critical, has set itself against such hostile actions.

However, the threat of sanctions has hit investor sentiment. US measures to curb loans would hit infrastructure investment most severely, including a huge programme of power station construction.

New Delhi claims that its actions will open the way for nuclear disarmament, rather than a regional arms race. Some commentators believe the BJP-led government will now be prepared to sign the Comprehensive Test Ban Treaty (CTBT), although so far it has offered to accept only some parts of it.

Few believe that there is any immediate danger of war with either China or Pakistan. They interpret the Indian action as a gesture of national pride, and a demand to be taken seriously by the US and the "nuclear club" rather than a deliberate hostile action.

The danger, however, is that the action will trigger an immediate response by Pakistan, and thus unleash a new arms race. China has so far reacted with considerable caution.

Indian analysts see China not as an immediate threat, in spite of its territorial claims on parts of Arunachal Pradesh and Sikkim in the north-east. Rather they see it as a long-term "strategic challenge", against which the acquisition of a nuclear deterrent is an insurance policy, until all the nuclear powers can agree on comprehensive nuclear disarmament.

North Korea warns US over nuclear deal

By John Burton in Seoul

A senior North Korean diplomat warned yesterday that his nation might resume its nuclear programme as he accused the US *of stalling on a promise* to deliver new reactors.

"Since the US is delaying its promises and commitments, some of our officials are saying that it is rather difficult to believe the US, so we should continue with the construction of the graphite-moderated reactors," said Chu Chang-jun, North Korean ambassador to China.

"The present situation makes us doubt whether the light-water reactors can be completed by the year 2003."

Under a 1994 agreement, North Korea agreed to halt the *building of Soviet* graphite-moderated reactors, capable of producing weapons-grade plutonium, in return for the supply of two safer US light-water reactors and the annual delivery of 500 metric tonnes of oil until 2003.

North Korea accused the US last week of "not fulfilling its obligations." The US said the remarks were "lamentable and regrettable".

The US and the International Atomic Energy Agency yesterday denied reports that North Korea had begun unsealing its nuclear reactors at Yongbyon, although Pyongyang temporarily suspended clean-up operations at its nuclear site in late April.

North Korea's threat was provoked by recent delays in the delivery of promised fuel oil because of a refusal by the US Congress to approve $58m for the energy supplies.

Madeleine Albright, US secretary of state, recently warned that North Korea might restart its nuclear programme if the pledge was *not honoured* and asked South Korea and Japan to finance the fuel oil supplies.

But both nations rejected the request as they complained the US was refusing to help share the cost of the $5.2bn light-water nuclear reactor project, which is mainly being supported by Tokyo and Seoul despite their economic problems.

South Korea has pressed the US to contribute to the project, but Washington is reluctant because of expected congressional opposition.

The rumblings from North Korea represent a setback to the efforts of Kim Dae-jung, the South Korean president, to adopt a conciliatory "sunshine policy" toward Pyongyang to ease tensions. Mr Kim recently *abolished* restrictions on South Korean investments in the North and approved food aid for its starving population.

INWARD INVESTMENT MONITOR MAKER LITE-ON TO CLOSE TWO OF ITS THREE OUTPUT LINES IN SCOTLAND

Taiwan company slashes output

By James Buxton in Edinburgh

Lite-On Technology of Taiwan yesterday announced a sharp cut in output of computer monitors at its factory in central Scotland.

The move was part of a worldwide rationalisation which would also affect plants in Malaysia, China and Taiwan, the company said.

Two of the three production lines at the Scottish factory will close and two-thirds of the 350-strong workforce will be made redundant. Lite-On blamed intense competition from east Asian producers following recent devaluations in the region.

The rationalisation also reflects turbulent conditions across the worldwide electronics industry, with big groups such as Compaq, Hewlett-Packard and Intel cutting prices and issuing profits warnings.

The news caused dismay in Scotland, where it follows a number of setbacks to the industry. These include the postponed opening of a semiconductor plant by Hyundai, of South Korea, and the announcement of the closure of Mitsubishi Electric's television factory.

Lite-On Technology is part of the Lite-On group of companies controlled by Raymond Soong, one of Taiwan's leading electronics entrepreneurs. It said market conditions left it with no alternative but to concentrate on maximising the efficiency of its remaining production line.

"By doing so we will ensure that the UK plant is in the best possible condition to take advantage of an upturn in the global market which is expected in the next 12 months," the company said. It said the factory was a pivotal part of its Euroepan and global logistics operation.

Lite-On's decision to establish a plant in Scotland was announced by John Major, then prime minister, in 1996. He said the company was investing £40m and expected to create more than 1,000 jobs over two years.

Lite-On would not disclose how much government financial assistance it was given. But it will have received assistance for the jobs it created and the Lanarkshire Development Agency may have provided assistance in securing a site.

The Lite-On plant is close to that of Chung Hwa Picture Tubes, another Taiwanese company, which is implementing a £260m investment in making cathode ray tubes for televisions and computers. But Chung Hwa made clear yesterday that it was not affected by Lite-On's decision because its output currently consists of tubes for televisions and not computer monitors.

PRODUCTIVITY MCKINSEY REPORT

Call for focus on management and regulation

By Robert Chote, Economics Editor

Product market regulations and poor management are a greater constraint on the productivity of British business than skill shortages and capital market failures, a seminar convened by Gordon Brown, chancellor of the exchequer, heard yesterday.

Mr Brown invited 20 leading businesspeople and economists to discuss the findings of a preliminary report on UK productivity by McKinsey, the management consultants. This was the first of 10 such seminars.

Mr Brown has so far placed heavy emphasis on training and barriers to investment in the tax system and capital markets. Seminar participants said the McKinsey study suggested his efforts might be better targeted at deregulating product markets and promoting better management.

The seminar heard that output per head in market-exposed sectors of the UK economy lagged 40 per cent behind the US and 20 per cent behind western Germany. But some participants noted after the seminar that while policymakers care about output per head, businesses care more about profitability.

Britain lags behind the US in output per head mainly because of low labour productivity, which means UK companies extract relatively little output from each hour their employees work. In contrast, France and Germany lag behind the US because of smaller labour inputs.

The study also suggests that skill deficiencies are not the main explanation for low UK productivity. Japanese car plants and US hotels achieve relatively high productivity from their UK workforces, although some seminar participants said this was because they were "cherry-picking". UK food retailers also get relatively high productivity from what are often low-skilled workforces.

Mr Brown has already reformed corporation and capital gains tax rules in an attempt to boost investment. But the McKinsey study casts doubt on the notion that there is a stock of profitable investment opportunities waiting to be exploited, if only the tax system or a lack of available finance did not stand in their way.

The problem is often one of regulatory barriers to profitable investment, the study suggested. Land use regulations stop retailers investing in big stores, building codes mean high construction costs for hotels, pricing regulations restrict efficiency in telecommunications and trade barriers limit the Japanese share of UK-based vehicle production.

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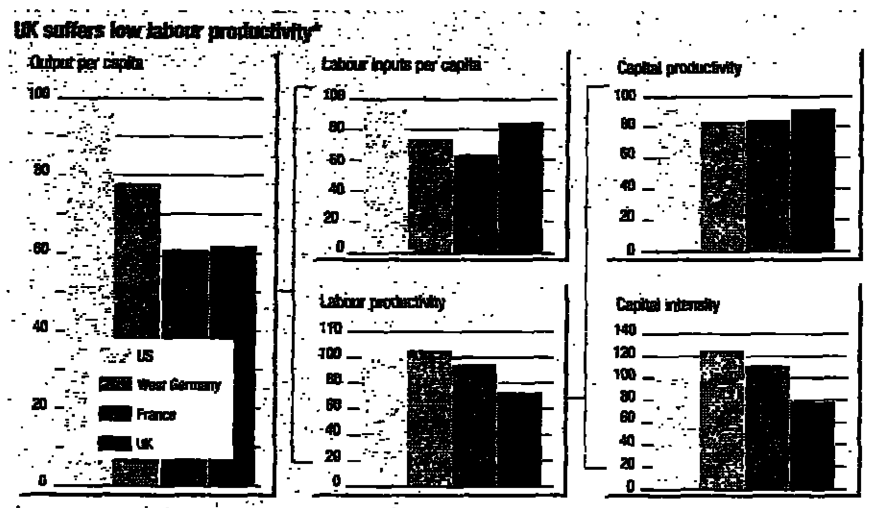

Sources: OECD, ONS, Labour Force Trends, Iseas, Statistisches Bundesamt, BLS, BSA *1995 figures (US =100)

Foreign Office U-turn on Sierra Leone affair

By Liam Halligan, Jimmy Burns and David Buchan

The UK Foreign Office was yesterday involved in an embarrassing *volte face* over the "arms-to-Africa" affair as Sir John Kerr, permanent secretary (chief official), was forced to change evidence given to an influential committee of MPs.

The move will increase pressure for a public inquiry into allegations that an arms shipment to Sierra Leone, which broke United Nations sanctions, received official endorsement.

In a further government setback, Sir Richard Scott, the judge who headed the Arms-to-Iraq inquiry, said suspicions the shipment was illegal, held by government officials, should have been known to Robin Cook, the foreign secretary. "I find it extremely odd this matter was not reported to ministers, given the apparent breach of UN sanctions," said Sir Richard, Britain's second most senior judge.

His comments will particularly embarrass Mr Cook. In 1996 he led the opposition charge to damage the former Conservative government after the Scott report's publication. Sir John rushed out a statement admitting he was wrong to suggest to the House of Commons foreign affairs committee that Tony Lloyd, a Foreign Office minister, was briefed last March about a Customs investigation into Sandline International, the UK military consultancy.

His original comments exposed Mr Cook to the charge of misleading parliament. Mr Cook said last week that Mr Lloyd, who himself corrected committee evidence about the affair, was not briefed about the inquiry before a Commons debate on March 12.

Sir John's correction, which followed a meeting with ministers, said Mr Lloyd's briefing "did not mention arms shipments". Mr Lloyd insisted in the House of Commons last night that his original statement to MPs was accurate, but said he would correct it if the need "arose with the events of time".

Michael Howard, the opposition Conservative party's shadow foreign secretary, asked: "Has there ever been a day of such chaos and confusion in the Foreign Office?"

During a 90-minute grilling by the committee, Sir John also disclosed that Lt Colonel Tim Spicer, Sandline's chairman, had regularly briefed officials about the situation in Sierra Leone and visited the Foreign Office. He insisted that until last month, the matter had been handled by junior officials, who referred claims that Sandline had breached the UN embargo to Customs.

It was only after Sandline started alleging that it had supplied 30 tonnes of arms to forces loyal to deposed President Ahmed Tejan Kabbah with UK government approval that senior officials and ministers became involved.

Philip Stephens, Page 14

Regulator airs approval fears

By Christopher Brown-Humes and Nicholas Timmins

The Financial Services Authority, the City of London integrated regulator, yesterday expressed deep reservations about giving an official seal of approval for financial products.

The government is proposing to apply to the new Individual Savings Account a quality mark similar to the "kitemark" used on consumer goods. ISAs are tax-free savings vehicles designed to replace personal equity plans (Peps) and tax exempt special savings accounts (Tessas).

Howard Davies, FSA chairman, said at a meeting of the House of Commons Treasury committee that "kitemarking" of financial products made him "very nervous" because it could imply suitability for everyone.

He indicated that he was happy with such official quality marks as far as they improved customers' understanding of costs, charges and commission rates. But he was sceptical about any system that implied a guaranteed return or general suitability. "Kitemarking is unlikely to be a good way forward," he said.

His comments appear to conflict with government thinking. While Mr Davies appears to view benchmarking as an information tool, the government is understood to want to use it as a way of giving official approval.

Mr Davies's reservations were echoed by Michael Foot, head of financial supervision for the FSA.

Benchmarking had "undoubted attractions" in helping the less sophisticated saver if, for example, it covered the costs of the product, thereby providing reassurances that there were "no hidden strings or nasty surprises" over charges, he told a seminar organised by the European Policy Forum.

There would be difficulty if consumers thought "a benchmarked product was necessarily a 'good buy'" or officially guaranteed.

Weapons handover rules to be in Ireland legislation

PA News Reporters in Belfast

Tony Blair, the UK prime minister, said in Northern Ireland yesterday that the need for all parties involved in the peace process to start surrendering their weapons would be written into legislation.

"I believe that most people would be ready to accept even the hardest parts of the agreement if they had genuine confidence that the paramilitaries were really ready to give up violence for good," said Mr Blair. "I welcome Sinn Féin's endorsement of the agreement and all that it implies. This is a historic shift.

"But after the experiences of the last 30 years, and some recent statements about no decommissioning, it is hardly surprising that for many that confidence is simply not there."

He explained how the UK government will assess whether parties have given up violence. The most important factor would be "full co-operation with the independent commission on decommissioning, to implement the provisions of the agreement".

He recalled that the Good Friday agreement required decommissioning to be completed within two years of the May 22 referendums on the deal. "These factors provide evidence upon which to base an overall judgment," he said. "What is more, I have decided that they must be given legislative expression directly and plainly in the legislation to come before parliament in the coming weeks and months.

"Those who have used the twin tactics of ballot box and the gun must make a clear choice. There can be no fudge between democracy and terror."

He insisted that he was not constructing new hurdles for the parties to the process. "On the contrary we want as many people as possible to use the agreement as their bridge to an exclusively democratic path. We will encourage them to take this path. But it is surely reasonable that there should be confidence-building measures from these organisations after all the suffering they have inflicted on the people of Northern Ireland."

Mr Blair also sought to reassure Northern Ireland about the future of the Royal Ulster Constabulary, the region's police force. "There have been alarming stories about the future of the RUC: they are just that – stories. In a changed, peaceful context, more normal policing should become possible. But no-one appreciates more than I do the sacrifices the RUC have made over the years," he said.

● An anti-republican "loyalist" paramilitary killer has been freed on parole. Michael Stone was granted home leave from the top security Maze Prison where he is serving a life sentence after opening fire on mourners at a republican funeral in Belfast 10 years ago. He was sentenced to three life sentences with a recommendation he serve a minimum of 30 years for the murders of three mourners.

NEWS DIGEST

EMPLOYEE RIGHTS

Deal on workforce votes wins cabinet support

The cabinet yesterday gave its broad support to the planned employee rights policy paper which includes the controversial proposal to give trade unions statutory recognition by an employer when backed by 40 per cent of the workforce. The office of Tony Blair, the prime minister, said the threshold was supported by all ministers who spoke at the meeting. A number of other ministers were said to share the Trades Union Congress view that such a high threshold would be unworkable.

But the cabinet's backing appeared inevitable after it emerged that Gordon Brown, chancellor of the exchequer, had thrown his weight behind the prime minister in supporting the 40 per cent figure. While union leaders are expected to continue to express their concern at Mr Blair's insistence on the 40 per cent figure, they are being reassured by the guarantee of a review of the procedure if it turns out to be unworkable.

Unions had wanted recognition if it was backed by a majority of workers voting in a workplace ballot. Employers said the requirement should be a vote by a majority of the relevant workforce. **David Wighton and Robert Taylor, London**

BUDGET RULE CHANGES

New tax product launched

The first product designed to help the rich get around tax rules introduced in the Budget will be launched on Monday by Cazenove Fund Management, part of the blue-chip stockbrokers. The Portfolio Service, available only to investors with at least £200,000 ($335,000), takes advantage of tapered capital gains tax to reduce tax charges to 24 per cent after 10 years, against short-term gains tax of 40 per cent, without compromising the fund managers' freedom. Investment decisions usually have to be made partly according to the tax that selling shares would attract.

The service uses an underlying unit trust to avoid tax every time shares are sold. **James Mackintosh, London**

NUCLEAR WASTE

MPs to probe Georgia decision

The UK government's decision to accept nuclear waste from the former Soviet republic of Georgia at the Dounreay nuclear complex in northern Scotland is to be investigated by the House of Commons trade and industry committee, the cross-party group of MPs announced yesterday. Sir John Knill, the former head of the government's Radioactive Waste Management Advisory Committee, said yesterday that the government should have finalised its policy for disposing of nuclear waste before agreeing to take the material. The complex was ordered on Tuesday to close most of its operations until it could convince the nuclear watchdog that it was safe after a power failure last week. **Leyla Boulton, London**

JERSEY FINANCE COMMISSION

Former SIB man nominated

Andrew Winckler, former chief executive of the Securities and Investments Board in London, has been nominated as a non-executive member of Jersey's new Financial Services Commission. Mr Winckler (pictured), who worked in the UK Treasury and as an investment banker before becoming a senior City of London regulator, would be the only commissioner from outside the island. Jersey is the biggest of the Channel Islands between England and France. His nomination comes at a critical moment for Jersey, whose system of financial regulation – along with those of Guernsey and the Isle of Man – is being reviewed by the UK government. Jersey's £230bn ($384bn) finance industry is now regulated by the island's government through a Financial Services Department. Richard Syvret, the department's current head, will become the FSC's first director-general when it takes over regulation on July 1 but will retire at the end of the year. **Clay Harris, London, and Philip Jeune, Jersey**

CITY REGULATION

Fund manager fined $25,000

Imro, the fund management watchdog, has fined Murray Johnstone Private Investors £15,000 ($25,000) for shortcomings in internal organisation and failure to tell customers it had retained part of the commission it had charged on transactions. MJPI had "failed to organise and control its internal affairs in a responsible manner and to have adequate checks to ensure that it had clear compliance procedures", Imro said. The regulator cited a seven-month delay in remitting the proceeds of one sale and the charging of two private customers a normal commission rate on the restructuring of their portfolios when special reduced rates had been agreed. Before August 1997, moreover, periodic statements did not disclose that customers had been charged more for transactions that MJPI itself had been charged by its brokers. MJPI manages about £122m for private customers.

It will also pay Imro's investigation costs of £26,800. **Clay Harris, London**

Oxford university laboratories breed academic millionaires

Scientists are exploiting their discoveries instead of leaving the task to drug companies, **Jean Eaglesham** reports

The modern face of Oxford University is personified by a small but rapidly growing band of academics-turned-entrepreneurs who have amassed personal fortunes by winning stock market backing for discoveries made in the university's laboratories.

Brian Bellhouse, the 60-year-old director of the university's medical engineering unit, dreamed up a painless way of injecting drugs – without using needles – by firing them in powdered form and at supersonic speed into the body.

In the old days, the logical next step would have been for him to publish his findings in an academic journal. Any commercial exploitation of his discovery would have been left to the big drugs companies.

Dr Bellhouse took a different route. In 1993, he co-founded a company, PowderJect Pharmaceuticals. The company's shares were divided between the founders; the university, which took a 5.6 per cent stake in return for surrendering its intellectual property rights to the discovery; and the individuals who provided funding.

PowderJect, brought to the stock market last June for £109m ($182m) now has a market capitalisation of £285m, after announcing an alliance with Glaxo Wellcome, the drugs group.

It is not an isolated case. Isis Innovations, set up by the university in 1988 to exploit its research, is launching eight companies. Recent success stories include Oxford Asymmetry International, which develops chemicals for the pharmaceuticals industry.

Lucius Cary, director of Oxford Technology Venture Capital Trust, talks of a new atmosphere at the city's science park. "As one walks through the restaurant, one hears scientists talking alternately about amino acids and computer code on the one hand and contracts with their investors and US partners on the other," he says.

The creation of the scientist millionaires has sparked interest and a degree of envy among their colleagues. "Every time there's a flotation, my phone rings a lot," said Dr Tim Cook, managing director of Isis Innovation and a multimillionaire as a result of his founding role in Oxford Asymmetry.

Dr Cook says he acts as a "Jeremiah" to try to damp down overoptimistic expectations among scientists. "In general, spin-off companies start out of sight. Academics see that in 1992 someone had an idea and in 1998 he or she is a millionaire, but they do not see the pain and anguish in between," he explains.

Outside investors face substantial risks – and while the few seasoned venture capitalists active in this area are all too aware of the pitfalls, some would-be business angels may not be.

"You have got to make it quite clear to investors that the risks are extremely high," says Dr David Thomas, secretary of Synaptica, set up at the start of this year to develop research into neurodegenerative diseases such as Alzheimer's and Parkinson's.

Otherwise, he warns, unrealistic expectations can lead to a company falling into the same trap as British Biotech, where it has been claimed that test results of research have been over-hyped. Still, the number of spin-off companies looks set to increase as the squeeze on higher education spending drives universities to look for alternative funding. Dr Cook says Oxford University's stake in Oxford Asymmetry is now worth about £11.5m, more than a tenth of its £107m annual spending on research. "You don't need to do many Oxford Asymmetrys to have a significant impact on research funding," he says.

Some scientists are still wary of venture capitalists, according to Professor Susan Greenwood, head of the university's pharmacology department and co-founder of Synaptica.

But she recalls the shift in attitude in the mid-1980s to industrial funding: "That was regarded as trade – and selling our souls. People now welcome [that finance] as a useful alternative to overstretched public funding."

Wider use of cancer drug is proposed for women

Tamoxifen, the breast cancer drug, would save 40,000 women a year worldwide – double the present number – if it were given to a wider range of patients, researchers said yesterday, **Clive Cookson writes.** In an international collaboration, based at Oxford University and funded by the Imperial Cancer Research Fund, researchers followed 30,000 women with hormone-sensitive breast cancer – the most common form – and discovered that they benefited from long-term Tamoxifen. It was the biggest clinical study of any cancer drug.

Taking Tamoxifen for five years after surgery halved the rate at which cancer recurred, regardless of the patients' age, whether they received other drugs or whether the cancer had spread beyond the breast. The proportion of women still alive 10 years after surgery was 74 per cent among those who took Tamoxifen and 66 per cent among those who did not.

Richard Peto, professor of medical statistics at Oxford, said the results (reported in The Lancet, the medical journal) were the most impressive he had seen in 25 years of cancer drug trials.

Zeneca, the UK pharmaceutical company, launched Tamoxifen in 1973 under the trade name Nolvadex. But it is now available from generic suppliers in all main markets except the US where Zeneca's patent runs until 2002.

HEALTH CANCER RESEARCH

New weapons in cancer war

Clive Cookson looks at drugs that starve tumours by cutting off their blood supply

Medical researchers are tackling cancer in many different ways. The estimated 300 experimental cancer drugs range from orthodox chemotherapy to biotechnology approaches such as antibodies and gene therapy.

The latest technique to come under the media spotlight is to cut off the growing tumour's blood supply – an approach known scientifically as anti-angiogenesis.

A tumour is seen traditionally as a mass of malignant cells growing out of control, and conventional treatments attack these cells directly: removing them through surgery and/or poisoning them in situ through chemotherapy or radiation.

In contrast, the new wave of drugs designed to inhibit angiogenesis work indirectly, by cutting off the network of small blood vessels that deliver the oxygen and nutrients required by cells to proliferate.

More than a dozen different anti-angiogenic drugs are in development. Best known at the moment is a combination of two proteins, angiostatin and endostatin, being developed by EntreMed, a small US biotech company. An over-enthusiastic article about this in the New York Times led to a worldwide wave of publicity that propelled EntreMed's share price from $12 to a peak of $85 before it fell back to $32.

The father of anti-angiogenesis is Judah Folkman at Boston Children's Hospital. In the 1970s he came up with the idea that tumours need to induce the growth of blood vessels to obtain sufficient nourishment. His laboratory discovered the angiostatin-endostatin combination during the early 1990s.

Although the mechanism by which these compounds prevent angiogenesis is not known, their effect can be dramatic, at least in laboratory animals. They have made substantial tumours disappear entirely in mice – but the history of medical research is littered with would-be wonder drugs that cured cancer in mice but turned out to be ineffective or to have unacceptable side-effects in people.

The most potent anti-angiogenic agents have been discovered by following up a long-standing observation of cancer surgeons: when a primary tumour is removed, the operation often appears to stimulate the growth of metastatic tumours elsewhere in the body. Dr Folkman and his colleagues reasoned that the main tumour was secreting biochemicals that prevented the secondaries developing – and they isolated a range of compounds that achieved this effect by starving distant tumours of blood supplies.

Judging by animal tests, the angiostatin-endostatin cocktail may be the fastest acting agent but it will not be ready to test on people before the end of this year. Others are further advanced in development:

- Matrix metalloproteinase (MMP) inhibitors block enzymes secreted by cancer cells, which help blood vessels to spread by breaking down the surrounding tissues. British Biotech, Agouron and Chiroscience are developing different MMP inhibitors.
- Combretastatin, a synthetic derivative from the African bush willow, is about to start trials under the auspices of Oxigene.
- Inhibitors of vascular epithelial growth factor, a protein that stimulates the formation of blood vessels, are being tested by Genentech and Ribozyme.
- Thalidomide, the notorious drug withdrawn in the early 1960s after it caused birth defects in children, turns out to be a powerful anti-angiogenic agent.
- Squalamine, an inhibitor of angiogenesis extracted from the dogfish shark, is being tested as a cancer drug by Magainin.
- SU5416, which blocks the enzyme tyrosine kinase, is being tested for cancer by Sugen.

Although many of these will not make the grade in the clinic, even cautious oncologists expect a few anti-angiogenic drugs to work well on people. They will then add to our growing armory of cancer treatments. But none will come close to curing cancer on its own.

Money talks: Charlie Munger (left) and Warren Buffett answer press questions after a Berkshire Hathaway stockholders' meeting

Associated Press

PROFILE CHARLIE MUNGER, BERKSHIRE HATHAWAY VICE-CHAIRMAN

A realist in the dream team

A special kind of personal chemistry fuels the unrivalled success of Warren Buffett's investment group, says **William Lewis**

At the shareholder gathering of Berkshire Hathaway recently – an event referred to as the "capitalist Woodstock" – there was a telling moment. It illustrated the curious relationship at the top of the group. Minutes after Warren Buffett, chairman of Berkshire and the shareholders' hero, had arrived to a rapturous ovation at Dairy Queen – an ice cream chain owned by the company – Charlie Munger walked in. He was largely unnoticed.

Yet Mr Munger is Mr Buffett's long-standing investment partner. He sits as vice-chairman of Berkshire, one of the most successful investment companies in the world. During the past 33 years, Berkshire's per share book value has grown from $19 to $25,488, a rate of 24.1 per cent compounded annually.

Mr Munger, by Mr Buffett's own admission, has played a crucial role. But unlike "the Sage of Omaha", Mr Munger has shunned the limelight.

When Mr Buffett pitched the first ball at the Omaha Royals baseball game, Mr Munger was nowhere to be seen. And at Borsheims, Berkshire's jewellery store, it was once again Mr Buffett who starred, greeting shareholders with pithy one-liners.

Mr Munger, in the words of a shareholder who said he had travelled from Australia to meet him, "is the unsung hero of the company's success".

Even when he does appear, most Berkshire shareholders are unsure what to make of him. Unlike Mr Buffett, who was surrounded all weekend by five bodyguards, Mr Munger walked around freely. His gruff style fails to bring out the quasi-religious frenzy in Berkshire shareholders that Mr Buffett's does.

That is partly because Mr Buffett is very much in the driving seat, owning about 43 per cent of Berkshire's shares (with his wife), compared with the 1.5 per cent commanded by Mr Munger.

The relationship is akin to that of elder brother (Munger) and younger brother (Buffett). In interviews, Mr Buffett continually refers to "Charlie", mentions him often in his annual letter to Berkshire shareholders, and is said by one adviser to "rely on him as a fellow director in Berkshire and as a friend".

At the Berkshire annual meeting, Mr Munger is the only Berkshire director to sit alongside Mr Buffett, answering questions.

Mr Munger acknowledges Mr Buffett's brilliance, but sees the need to rein in what he regards as some of Mr Buffett's

Mr Munger's gruff style fails to bring out the frenzy in shareholders that Mr Buffett's does

off-the-wall investments.

Take the recent acquisition of a fifth of the world's silver supply. The investment made headline news worldwide, but Mr Munger displayed his irritation. "This whole episode will have as much impact on Berkshire's future as Warren's bridge playing," he told shareholders. He said the $1bn investment had "kept Warren amused". But "this is not a big deal for Berkshire".

Mr Buffett says he consults Mr Munger before any big investment decision. So when he disclosed that he had failed to consult Mr Munger before investing in USAir (now US Airways), he did so with the look of a shamefaced younger brother.

After Mr Buffett's decision to invest, the airline hit severe financial difficulties, but has recently turned its performance around. Mr Buffett said he failed to foresee both downturn and upturn. With Mr Munger beside him, Mr Buffett said smilingly: "We could not have been more wrong... I mean I could not have been more wrong. Charlie was not consulted on the buying."

Mr Buffett, 67, and Mr Munger, 74, met in the 1950s. But the house Mr Munger grew up in is only 100 yards from Mr Buffett's current home in Omaha. For a time he worked in Mr Buffett's grandfather's grocery store, but after graduating from Harvard Law School he moved to Los Angeles where he lives today.

Mr Munger formed his own law firm and from 1962 to 1975 managed Wheeler Munger & Co, an investment management firm. He did not become a Berkshire shareholder until the late 1970s when two of his largest holdings were merged into Berkshire, of which Mr Buffett had taken control in 1965.

In 1978, Mr Munger was named vice-chairman of Berkshire and five years later became chairman of Westco Financial, a finance company 80 per cent controlled by Berkshire.

"Charlie has the best 30-second mind in the world," Mr Buffett said in a 1996 Forbes interview. "He goes from A to Z in one move. He sees the essence of everything before you even finish the sentence."

Their styles are very different. At the annual meeting, Mr Munger responded to one question about the worth of Berkshire's subsidiary companies by roughly telling the shareholder to work it out for himself. Mr Buffett joked: "Oh, Mr Nice Guy."

They even sit differently. Mr Buffett was hunched forward, keenly anticipating the next question. Mr Munger sat back in his chair, often declining to add anything.

Asked about Berkshire's share price, Mr Buffett said: "We are never going to give advice on Berkshire's stock." Mr Munger added: "Eccentric we are, but that eccentric we are not."

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. She proposes to grant licences under the Telecommunication Act 1984 ("the Act") to MLL Telecom Limited and International Computers Limited ("the Licensees") to run telecommunication systems throughout the United Kingdom. Both licences will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of these licences will be to enable the Licensees each to install and run telecommunication systems in throughout the United Kingdom. Each Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. Both Licences authorise connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each Licensee may be obliged to make available those telecommunication services to all who reasonably request them within that area.
3. Both licences will be subject to conditions such that section 8 of the Act will apply, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant these licences in response to applications from the Licensees for such licences because she considers it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. She proposes to apply the telecommunications code ("the Code") to each of the Licensees subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensees will each have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-grand apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in their respective licences to their powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will each need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licences, the application of the Code to the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 15 June 1998 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.67 Grey, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 0171 215 1756.

Alan D Proud
Department of Trade and Industry
15 May 1998

TECHNOLOGY AUTOMOTIVE ENGINEERING

Faster route to get a widget on the road

Peter Marsh on how a component maker is meeting car industry demands for increasing technical sophistication

It is the widget *par excellence*: a small snap-on device used in car production which takes an instant to connect on the assembly line, costs only a few cents, and can withstand internal forces of more than 1,000 times atmospheric pressure.

Such devices, almost entirely hidden but fundamental to vehicle performance, are among the products that have emerged from an international network of development centres established by Bundy Automotive, a UK-based company which is the world leader in cars' internal "plumbing" equipment.

Bundy, part of TI, the engineering group, claims about one sixth of the £3bn-a-year world market in automotive fluid systems. Competitors include ITT of the US, Britain's Siebe and Sanoh of Japan. Bundy recently added to its worldwide operations by the $350m purchase of S&H Fabricating & Engineering, the biggest US maker of fluid handling systems for a vehicle's powertrain – the engine, gearbox and everything that powers it.

In the past five years, Bundy's sales have expanded 50 per cent, helped by the growing sophistication of vehicles' plumbing, plus the desire by carmakers to outsource more of this production.

Bundy's products are made in 90 plants in 27 countries, serving the main vehicle markets of the US, Europe and east Asia. A key to the company keeping up with customer requirements is its chain of six product-development centres – two in the US and one each in France, Italy, Germany and Belgium.

The centres link up with the 15 or so "product teams" – each of them comprising up to 60 engineers, sales and marketing people – inside the rest of the Bundy business. The teams liaise virtually continuously with big customers such as Ford, Volkswagen and General Motors.

According to Ron McIntosh, Bundy's head of product planning, the interactions between all three groups of people have to be as fluid and direct as possible to squeeze into ever shorter periods the transfer of products from the ideas stage to the factory floor.

An example is Bundy's "high-pressure connector", devised at the company's connector development centre near Detroit. Assuming further developments proceed satisfactorily, it may be fitted to new cars at about the turn of the century.

The product arose from car companies' demands for ultrasafe brake-fluid systems that would remain intact even when a driver exerts maximum force on the brake pedal.

The connectors – which link pipes and other parts of the braking system – are often the weakest points in the chain.

Bundy has come up with a "high-pressure" variant on earlier generations of connectors that do the job satisfactorily, without pushing up costs unacceptably.

Engineers at two more of Bundy's development centres – in Busalla, Italy, and at a second US centre, also near Detroit – worked on a new type of protective coating for the metal tubes used in braking systems. The copper-steel alloy normally used for these tubes can wear unacceptably fast, especially if the metal is exposed to road chippings.

Borrowing ideas from the world of refrigeration, in which supplies of coolant are often channelled using corrosion-resistant aluminium tubing, the Bundy engineers devised a way of coating the conventional copper-steel pipes with a thin layer of aluminium through a "hot dip" process. To add to the robustness of the pipe, a layer of nylon plastic is then added.

A third innovation was born at another development centre in Kassel, Germany. Engineers there worked with extrusion specialists to come up with an unusual five-layer hose material for use in automotive pipes comprising a sandwich-like arrangement of different grades of nylon polymer.

The finished pipe – with its five-layer plastic only 1mm thick – makes a particularly effective conduit for petrol.

Soprano in the wings

Andrew Clark talks to one of the best-kept secrets of the music world, Adrianne Pieczonka, about her burgeoning career

Imagine your ideal soprano: a voice of rare beauty, with an instantly recognisable timbre, a warm middle and a soaring top. The technique is flawless and she has a heavenly sense of line. Add a North European's dramatic intelligence and, to survive the rigours of the profession, a North American's steely determination – not forgetting the patience to play for the long-term. It all sounds remarkably like Adrianne Pieczonka.

Adrianne who? Pieczonka is one of the best-kept secrets of the music world. Casting directors in the big opera houses are slowly beginning to fix their gaze on her, but orchestras and record companies have yet to wise up, and audiences at Covent Garden and the Met are still in the dark. A Canadian with a Polish father, Pieczonka, 34, served her apprenticeship in Vienna in the early 1990s and spent two summers at Glyndebourne, latterly as Arabella in 1996 – a part which showcased her charming stage presence. This weekend Pieczonka makes her debut as Ellen Orford, her first Britten role, in a new production of *Peter Grimes* at the Hamburg State Opera.

There is no shortage of classy North American sopranos making their way across the Atlantic. Pieczonka stands out not because of her commanding height, but because there is nothing mass-produced about her – no plastic smile or identikit personality. She may share her US colleagues' confidence and ambition, but not their cultural imperviousness. Listen to her Sieglinde, as I did last summer in Edinburgh: hers is an authentic Wagnerian sensibility. Observe her Desdemona or Tatyana, and you'll find the performance equally sincere.

I well remember her raunchy Frieda in Aribert Reimann's 'Das Schloss', cracking a whip and singing all sorts of strange scoops and high Cs

Pieczonka ascribes it to her Viennese training. Having graduated from the University of Toronto's opera division in 1988, she was faced with a choice: join the Canadian Opera Company's apprentice programme along with most of her contemporaries, or take the lonely route to Europe. Armed with a grant from the Canada Council, she opted for Europe – and has never looked back. After studying with Vera Rosza in London, she won two continental singing competitions. Viennese agents took note, and there she was, "die kleine Pieczonka", cycling in to the Volksoper every day to sing roles like First Lady in *Die Zauberflöte* and Laura in *Der Bettelstudent*.

For someone who spoke barely a word of German, a three-year contract in Vienna amounted to jumping in at the deep end. She found it "absolutely gruelling. They pulled me apart – I was told I didn't know how to move, that my German didn't make sense. And I have to admit, I had no idea what I was singing in all those operettas. It had to be light and frothy, so I just memorised the lines and made sure I knew when to laugh."

Although there were just as many tears in her first 18 months, Pieczonka stuck at it because she was getting a solid grounding in the theatre. While colleagues back home were understudying tiny parts, she was adding Donna Elvira and the *Figaro* Countess to her repertoire, often jumping in for indisposed colleagues. The turning point came with a Harry Kupfer production of *Eugene Onegin* – "very intense, with a lot of rolling around" – in which she sang her first Tatyana. It was a hit, and she started guesting elsewhere.

I well remember her raunchy Frieda in the world premiere of Aribert Reimann's *Das Schloss* in Berlin in 1992, cracking a whip at her first entrance and singing all sorts of strange scoops and sustained high Cs. At that stage she didn't question anything that was asked of her: "I'm a bit more conservative now – more a question of 'Prima la voce'. In Vienna I just did what was required, because I thought I'd be fired otherwise. You hear all sorts of horror stories about singers being taken advantage of and ruining their voices, but it's the soubrettes who are most at risk. I'm lucky that Vienna saw my potential and didn't overwork me."

Having graduated from the Volksoper to the Staatsoper, she found herself in 1993 singing for Riccardo Muti – who was sufficiently impressed to cast her as Donna Anna in a new production of *Don Giovanni* for next year's Vienna festival. She also has her first Elsa lined up, in a new *Lohengrin* at Munich. So, as a lyric soprano with dramatic tendencies, does she see herself following a similar path to Gundula Janowitz, a great Viennese-trained Elsa of a previous generation?

'I'm lucky that Vienna saw my potential and didn't overwork me': Adrianne Pieczonka

Some of their vocal properties are similar. Like Janowitz, Pieczonka has the seamless, fine-spun sound for Strauss's *Four Last Songs*, and she found her Viennese experience an ideal preparation for Arabella – not just because it taught her fluent German, but "because I know the Prater and the kind of house where Arabella would live. The role was like Viennese blood to me. I love Hofmannsthal's text – there's nothing contrived in the conversation, it's just like thoughts coming out, and Strauss sets it so beautifully. People say the German language is unsingable. Bollocks!"

But with a career revolving around Vienna, Munich and Hamburg, Pieczonka is wary of being typecast as a German soprano. Parts like the Marschallin, Elisabeth (*Tannhäuser*) and Senta are beckoning, but Pieczonka has time on her side – and meanwhile there is the Italian repertoire to explore. She began last year with Alice Ford (*Falstaff*) and Desdemona (*Otello*). Amelia (*Boccanegra*) and the title role in *Luisa Miller* are the logical next step. Verdi's appeal, she says, lies in the fact that "vocal beauty is number one. There's no opera like *Otello* for showcasing it. In the last act, you don't really need stage direction – it's just a matter of how beautifully you can sing the 'Willow Song'. And if that's not enough, you get down on your knees and sing the "Ave Maria". Then you get strangled. I loved it!"

'Peter Grimes' is at the Hamburg State Opera on May 17, 20, 23, 26, 30, and June 5, 9, 11 (+49-40-351721).

POP JEFF BUCKLEY

A perfectionist – gone but far from forgotten

The death by drowning last year of Jeff Buckley was widely regarded as a pointless waste of an outstanding talent; but in truth he had yet to prove himself. True, 1994's *Grace* was an outstanding debut, full of fiery energy, sensuality and a willingness to change direction unexpectedly which made his work uncomfortably difficult to categorise.

'Sketches' gives a snapshot of Buckley's state of mind before that ill-conceived swim, confirming his promise

But the years since that considerable achievement were full of rumours of creative burn-out and hours of fruitless toil in the recording studio. Buckley developed a reputation for restlessness and perfectionism, an uneasy combination when a record company is anxiously awaiting the follow-up of a critically acclaimed album.

Buckley never completed that album; but the double CD *Sketches (For My Sweetheart, The Drunk)* (Columbia), compiled under the supervision of his mother, Mary Guibert, gives a snapshot of Buckley's state of mind before he wandered off for that ill-conceived swim in Memphis Harbour; and what exciting thoughts were therein contained.

There has been controversy even in the putting together of the album, with various parties arguing over Buckley's precise intentions, but there is more than enough here to confirm the promise of one of the decade's few original talents.

The first CD consists of sessions recorded with Tom Verlaine in New York, and could itself have made a more than polished successor to *Grace*. It is not vastly different in scope from that album, which may be why Buckley allegedly became dissatisfied with it, but there are plenty of gorgeous moments throughout.

There is, first, the voice: from the sweet, soulful phrasing of "Everybody Here Wants You" and "Opened Once" to the frantic falsetto of "Vancouver". Buckley's swooping vocals (the element in his work which drew the most comparisons with his father Tim) give the most banal of his lyrics an emotional charge.

Then there are the angular, guitar-driven "The Sky is a Landfill" and "Nightmares By the Sea", full of urgency and drive. Sometimes he tries too hard: "You're a woman, I'm a calf/ You're a window, I'm a knife" he sings on "Morning Theft", a couplet that no amount of breathy eroticism can rescue. But then there is the ironically prophetic opening of the ghostly, closing "You and I" – "You and I/Ah, the calm below that poisoned river wild" – and the spell takes effect once more.

Sadly truncated career: the late Jeff Buckley

The second CD is the work-in-progress part of *Sketches*, and is frankly one for the *aficionado*. Recorded at home on a four-track, many of these songs transgress the line between experimentation and cacophony, although the cover of Genesis's "Back in N.Y.C." illustrates Buckley's burgeoning interest in musical complexity.

There will, we can be sure, be more out-takes, live performances and assorted *curios* to come from Buckley's sadly truncated musical career; but these sketches at least make the eulogies which followed his death sound a little less extravagant.

Peter Aspden

Three loaded situations

THEATRE

ALASTAIR MACAULAY

Three Pinter plays
Donmar Warehouse, London WC2

There is a fascinating and characteristic unease that marks an audience's reaction to the plays of Harold Pinter. Often the audience laughs – it dissolves the tension. Often it coughs – apprehension goes straight to the respiratory system. But, even when the audience is enthralled, it is not allowed to relax. Who are these characters to each other? Where is this play going? Above all: how should we react? But Pinter will not give us a clue. Some people feel that he is a manipulative playwright, playing cat-and-mouse with us. But his inscrutability is not just his technique in entertaining us; it is the key to his view of humanity and life.

Witness the superb Pinter triple bill at the Donmar Warehouse. Sometimes he is as much fun as Coward (especially Pinter himself, who acts in his 1961 play, *The Collection*); sometimes he is as suspenseful as Hitchcock; sometimes he is gives as fierce and intimate an exposé of the power-struggle between two people as Strindberg; and sometimes he drops opaque utterances with the peculiar eloquence of T.S. Eliot. In *The Collection*, he illustrates the complex perturbations between two households caused by a whiff of adultery. In *The Lover* (1963), he dramatises the need for fantasy and role-playing within a marriage and makes it a serio-comic battlefield between husband and wife. In *A Kind of Alaska* (1982), he depicts the painful politics between a patient awakening after many years and the carers who have watched her at the expense of their own lives. In Pinter, every character is vulnerable; unattainable; unknowable; self-contradictory. Meanwhile the rhythm of the sentences is sensuous and audacious.

To judge the range of Pinter, you need only attend to this triple bill's two most authoritative performances: Pinter's Harry in *The Collection* and Penelope Wilton's Deborah in *A Kind of Alaska*. I wrote of both when

Pinter himself is full of elegance, danger, aplomb

I saw them last spring in Dublin; but, as seen only 20 minutes apart here, they handsomely lead us in diametrically opposed directions. Pinter himself is full of elegance, danger, aplomb. He takes charge of loaded situations with a partly absurd display of urbanity, he tries to reinforce his authority with petty assertions of power, and often you sense in him the cowardly control-freak secreted behind the polished snarl. Wilton is, by contrast, like an openly beating heart. As she tries to comes to terms with the world that has grown old while she slept, she veers between old memories and new bafflement, between active denial and delicate acceptance. And at all points she reveals herself: the psychosexual fantasies, the social attitudes, the different family loyalties all pour artlessly from her.

Pinter writes like a composer fascinated by harmony; each new line brings with it a change of key. Two actors who have worked before with Pinter, Douglas Hodge and Lia Williams, also give two performances each here that are especially revealing in this respect. As James and Stella in *The Collection* and as Richard and Sarah in *The Lover* (both directed by Joe Harmston), they are beautifully awake to the moment-by-moment nervous adjustments in Pinter's writing. They bring to the surface the human fragility that is part of Pinter's essence.

Bill Nighy brings to the seemingly small role of Hornby in *A Kind of Alaska* (ideally directed by Karel Reisz) a brilliant complexity of understanding: pain and patience, strength and of defeat, lie within his smallest movements and least words.

Who but Pinter would here make us feel Deborah's power-assertions? She has been through hell, but – charmingly – she makes herself the centre of attention. At the end, she seems the least broken person in the room. And yet, because of her (and Wilton), you have been on a vast spiritual journey that is rare inside or outside the theatre.

Correction

Contrary to the review of *Rent* in yesterday's FT, the late Jonathan Larson did not have an Aids-related illness. We apologise for the distress this error has caused.

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Tosca: by Puccini. New production by Nikolaus Lehnhoff with a cast including Bryn Terfel. The conductor is Riccardo Chailly; May 15, 17, 19

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Emmanuel Krivine in works by Beethoven and Tchaikovsky. With violin soloist Gil Shaham; May 17, 18, 19

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Don Pasquale: by Donizetti. La Scala production conducted by Maurizio Benini/Roberto Polastri in a staging by Stefano Vizioli. Cast includes Ruggero Raimondi; May 15

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
The Iberians: display of 350 objects made, between the sixth and the first century BC, by a little-known civilisation which existed on the west of the Mediterranean bowl, between Andalucia and Languedoc. Some of these objects have never before been removed before from the sites of their excavation. Others have been loaned by Spanish and French museums; from tomorrow until Aug 23

BOSTON

EXHIBITIONS
Museum of Fine Arts, Boston
Tel: 1-617-267 9300
A Grand Design: The Art of the Victoria and Albert Museum. North American tour of selected objects from the V&A's collection. Ranges from da Vinci's notebooks to Vivienne Westwood shoes; ends on Sunday

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
● Il Ritorno d'Ulisse: by Monteverdi. New production conducted by Philippe Pierlot in a staging by William Kentridge. With the Handspring Puppet Company, at the Lunatheater; May 15, 16, 17, 19, 20
● L'Orfeo: by Monteverdi. New production conducted by René Jacobs and directed and choreographed by Trisha Brown; May 15, 16, 17, 19, 20

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Franz Welser-Möst in works by Brahms and Shostakovich. With piano soloist André Watts; May 15, 16, 19

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
Le Comte Ory: by Rossini. New production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETI-Teatro della Pergola; May 15, 17

FRANKFURT

CONCERTS
Frankfurt Oper
Tel: 49-69-21202
Budapest Festival Orchestra: conducted by Iván Fischer in works by Mahler and Bruckner. With mezzosoprano Doris Soffel; May 15

GENEVA

CONCERTS
Victoria Hall
Tel: 41-22-3170017
Orchestre de la Suisse Romande: conducted by Edmon Colomer in works by Turina, Ravel and Falla. With piano soloist Alicia de Larrocha; May 20

LISBON

CONCERTS
100 Days Festival, Expo '98
Madrid Symphony Orchestra: El Amor Brujo by Manuel de Falla; Main Auditorium, Centro Cultural de Belém; May 16, 17

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
Barenboim Beethoven Cycle: series of six concerts, with Barenboim conducting the nine Symphonies and directing the five Piano Concertos from the keyboard. With the Staatskapelle Berlin and London Symphony Chorus; May 15, 16, 17

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts a programme of works by Rameau, Haydn and Beethoven; May 20

OPERA
L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; May 16

MADRID

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-1-435 4833
From Whistler to Sickert: joint retrospective of the two painters which aims to introduce their work to the Spanish public by contrasting their differences. The exhibition will demonstrate the influence of Velázquez on Whistler as well as that of Whistler on Sickert; ends on Sunday

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Bavarian Radio Symphony Orchestra: conducted by Dmitrij Kitajenko in works by Prokofiev and Tchaikovsky; May 15

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
The Midsummer Marriage: by Michael Tippett. Mark Elder conducts a production staged by Richard Jones, with a cast including Alison Hagley and Philip Langridge; May 15, 18

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
● New York Philharmonic: conducted by James Conlon in works by Zelinsky, Rachmaninov and Liszt. With piano soloist Garrick Ohlsson; Avery Fisher Hall; May 15
● New York Philharmonic: conducted by James Conlon in works by Rachmaninov and Liszt. With piano soloist Garrick Ohlsson; Avery Fisher Hall; May 19

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance; ends on Sunday

OSAKA

EXHIBITION
The Museum of Art, Kintetsu
Tel: 81-6-624 1111
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. The exhibition marks the centenary of his death, aged 25; from today until Jun 8

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre National de France: conducted by Vassili Sinaïsky in works by Haydn, Saint-Saëns and Beethoven. With cello soloist Han Na Chang; May 19

EXHIBITION
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Manet, Monet, and the Gare Saint-Lazare: places Manet's famous painting in a context provided by works by other artists and a group of related drawings, prints and photographs; ends on Sunday

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
London Symphony Orchestra: conducted by Sir Colin Davis in works by Mendelssohn and Elgar; May 19

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Forgotten continent

The fuss over who-said-what-when in relation to the coup in Sierra Leone is an example of Britain's indifference towards Africa

Africa lies beyond our horizons. It flickers before our consciousness only as a sporadic sequence of uncomfortable events. Once in a while, television confronts us with the grisly images of another war, another famine. Or we hear of a bloody coup in a country we could never quite place on the map. We slip a small donation into an envelope and close our minds to the continuous tragedy of the continent.

Who cares if Africa has fallen off the edge of the global marketplace? With the end of the cold war it has lost its strategic significance. And it is too poor to matter otherwise. Africans do not have the money to buy Coca-Cola. They lack the education to use Windows 95. The continent cannot pay its debts. Measured in today's dollars the output of Africa south of the Sahara is less than that of Switzerland. Save for the beacon at its southern tip, it is a place best left to mercenaries and missionaries.

We have grown weary of the grim statistics. Annual income per head stands at less than $500. In the rich countries of the west it averages nearly $26,000. The mortality rate for children under five is 147 per 1,000. In high-income countries, the comparable figure is seven. Of 32 low-income countries officially classified as severely indebted, 25 lie in sub-Saharan Africa.

Outstanding debt of £140bn represents more than three-quarters of these countries' annual income. They spend more than four times as much on debt service as on health. Plagues once thought eradicated – tuberculosis, yaws, yellow fever – could not find a more hospitable incubator. We have lost count of the victims of war. How many recall now that it is only four years since 800,000 died in Rwanda's genocide?

Into this stagnant pool of indifference has stepped something called the Arms to Africa affair. Ministers or officials in Tony Blair's government have been accused of conniving with British mercenaries in the recent restoration to power of democratic government in Sierra Leone.

The alleged collusion, we are told, might have broken the United Nations arms embargo imposed after last year's brutal military coup in this impoverished west African state. Entire forests have been consumed in the media game of divining who-said-what-when during the months before President Ahmed Tejan Kabbah's counter-coup. The ethical foreign policy trumpeted by Robin Cook, Britain's foreign secretary, has been dismissed as fraudulent.

This is not the occasion to pass judgment on whether Mr Cook was culpable of sins of commission or omission. Suffice it to say that a rather small fire seems to have generated an awful lot of smoke. Perhaps it tells us something about public confidence in democracy that so many prefer the word of mercenaries to that of their politicians.

What strikes me, however, is the way in which the dismal condition of Sierra Leone itself has been deemed entirely incidental. This former British colony has long been sliding into economic and social chaos. At $200, its per capita income is now less than half even the awful average for sub-Saharan Africa. Life expectancy is less than 40 years. Its government is sustained only with the support of Nigeria's General Sani Abacha.

Who cares? The important point, we are told, is whether Mr Cook was diligent in the reading of official papers about the coup. The truth, of course, is that Britain's offence has been one of long-term complacency rather than short-term complicity. Had President Kabbah not been restored to power with the aid of British mercenaries, we would have heard nothing of Sierra Leone.

There is nothing unusual in this indifference. Britain has grown weary of the white man's burden. It is easier to lay the blame for Africa's ills on tyrants who have squandered western aid, on tribal wars and on regimes that have robbed their own people. Britain's responsibility ended with empire. What matters now is the defence of its remaining commercial interests. Serious diplomatic energy is to be expended where it counts: in Washington and Paris, Brussels and Beijing.

Thus while others seek to tighten the sanctions against General Abacha's squalid dictatorship, Mr Blair's government prefers to back British Airways' efforts to make money again from the London-Lagos route. The tyranny of Daniel arap Moi's Kenya is overlooked lest trade is damaged or Britain threatened with an influx of East African Asians. Zimbabwe and Zambia have no place even in what pretends to be an ethical foreign policy.

Yet there is something simple and straightforward that could be done to begin easing Africa's pain. Governments of the eight leading industrial countries could back the campaign by the Jubilee 2000 coalition of non-governmental aid agencies to cancel the debts of the poorest nations.

The cost would be minimal, as no one anyway expects the debts to be fully repaid. But when Mr Blair hosts the summit of Group of Eight leaders in Birmingham tomorrow, they will opt instead for minor improvements to an existing, wholly inadequate debt reduction programme. Mozambique, the latest beneficiary of this supposed generosity, will see its debt payments actually increase under the programme.

It is a question, we are assured, of moral hazard. If these nations have their debts cancelled now, they will have no incentive to repay future borrowings. And the west needs to retain its leverage to force Africa into the straitjacket of the International Monetary Fund's structural adjustment programmes. Never mind that Joseph Stiglitz, chief economist of the World Bank, has publicly attacked the prescription for slavish adherence to economic orthodoxy represented by the so-called Washington consensus.

And avoidance of moral hazard is a principle we must apply only to debtors. The creditors who secretly lent $8.5bn to President Mobutu Sese Seko's Zairean regime during the 1980s cannot be exposed to the risk of default. The government that overthrew him must pick up the bill for the west's collusion with Mr Mobutu's corruption. The rest of us meanwhile must ignore the awkward reality that a large chunk of the continent's outstanding debt is a legacy of the western arms sales that have so successfully fuelled its conflicts.

Debt relief, of course, is a start rather than an answer to Africa's myriad ills. There is much that can be done with diplomacy. Political sticks will sometimes have a role alongside the carrots of trade and aid. But reclaiming Africa is more than a question of ethics and humanity. Its problems – of crime, disease, the environment, drugs, migration – are already being felt beyond its borders. We can turn off the television news. We cannot ring-fence a continent.

LETTERS TO THE EDITOR

Debt relief argument reveals hard heart and expectations that are unrealistic

From Ms Ann Pettifor.

Sir, The logic of Martin Wolf's article is clear ("Soft heart, soft head", May 12). He argues that "what matters is not the debt, but resources into a country exceeding those transferred out". In other words, bankrupts should not worry about bankruptcy. Instead, as long as they continue attracting new loans and grants, in excess of their existing debts, they can "spend more than the value of their output" with these transfers.

This is the kind of irresponsible advice the International Monetary Fund has been giving poor country governments for years. It is particularly irresponsible in the context of a 35 per cent fall in grants and net official flows to sub-Saharan Africa over the past seven years, and of falling commodity prices. Such advice encourages dependence on foreign loans and aid inflows, and discourages balanced sustainable development.

It has also helped undermine the debtor creditor relationship as countries increasingly rely on new loans or aid to finance old unpayable debts. Transfers stay on the magic roundabout and come straight back to the creditor or donor, in the form of debt repayments. It takes a hard heart and a soft head to lead poor countries down this particular path.

Ann Pettifor,
director,
Jubilee 2000 Coalition
Charitable Trust,
PO Box 100,
London SE1 7RT, UK

From Professor Michael Lipton.

Sir, Martin Wolf courageously questions whether "highly indebted poor countries" (HIPCs) need softer conditions on debt relief.

Carelessly planned debt relief would also be unwise because:

- Capital flows to developing countries are limited. More for the heavily indebted – whether concessional debt relief for Africa or bailouts for east Asia – means less for relatively well-managed economies, such as India and China. These already get less support per head. They use capital more efficiently, and have achieved great advances. Yet they remain the heartlands of poverty.
- We lack proof that HIPC governments use debt-relief resources against poverty, sickness and illiteracy, rather than for arms or public building.
- Proposed relief would, by penalising concessional lenders (for example, the World Bank's "soft loan" arm), ease repayment for harder lenders, domestic and foreign.

So careful, enforced conditions are needed – but centred on fashionable invective against "dirigiste . . . interventionist governments". Developing countries have gone some way to roll back inappropriate trade distortion, regulation, and public-sector production. Where the growth response has been disappointing, as in most HIPCs, it is usually because governments have failed to take *more* action – against disease, illiteracy and (through farm research, rural infrastructure, and often land reform) mass poverty. East Asia's success, shown in Wolf's graph, was based on such limited, but substantial, dirigisme.

Can the G8 move from Wolf's valuable critique to positive policies? Aid, including debt relief if appropriate, exists to help developing countries towards effective public action against mass poverty, illness and illiteracy. To this end, the 1996 OECD agreement – the centrepiece of aid policy in Britain – commits donors to enter into partnerships, led by each aid recipient, for monitored policies to halve absolute poverty by 2015, and to meet similarly "hard" health and literacy goals. To achieve such ends, governments need to commit themselves to costly new actions, as well as to abstain from unwise old actions. HIPCs that demonstrate their will to implement such policies deserve aid, debt relief, and priority in the liberalisation of EU and other markets. Others do not.

Michael Lipton,
research professor of economics,
poverty research unit,
Sussex University,
Brighton BN1 9QN, UK

From Mr John Gossage.

Sir, Martin Wolf is in danger of seriously underestimating the Jubilee 2000 campaign in trying to depict it as a band of people with good intentions but confused thinking. I have met no one who seriously suggests, as he alleges, that severely indebted developing countries were not poor before they became indebted. Debt relief is clearly not the complete solution. Trade, private sector capital flows, public sector and non-governmental organisation aid all have important roles to play in fostering development. Yet there is still a strong case for the unconditional relief of unsustainable debt, and relief of residual debt upon conditions that would include, where appropriate, adoption of structural adjustment programmes designed to achieve the economic rectitude he seeks.

When Martin Wolf worked at the World Bank between 1972 and 1974 most of the people now alive in the east African countries with which he worked would probably not have been born. Moreover, he ignores the impact of the second oil shock, the collapse in commodity prices and the sustained depression in the terms of trade of commodity producers that ensued. The dirigiste governments of sub-Sahara, and elsewhere, have been swept away. It is their successors that have to struggle with the debts that were incurred. Are the sins of the fathers to be visited upon the second and third generations? That was not the view taken with respect to West Germany after the second world war, nor indeed towards the peoples of central Europe after the fall of the Berlin Wall.

We in the wealthy west are enjoying the benefits of rising volumes and falling prices in many products, but just think what conditions might be like if an exogenous shock were to turn this into a situation where both volumes and prices were falling. One day we shall need the demand of the world's poor for our goods and services. We ought to start today to make sure that it will be there.

John Gossage,
Rose Villa,
230, Hanworth Road,
Hampton, Middx, UK

From Mr Bill Linton.

Sir, Martin Wolf takes hard-headedness too far in his argument against debt relief for Africa. Since he finds campaigners' concern for the poor "impressive and justified", one might reasonably have expected him, in dismissing debt relief, to come up with an alternative strategy for levering the poorest African countries out of the mire. His failure to do so looks suspiciously like complacency – a suspicion compounded by his admission to having worked for the World Bank on several east African countries in the 1970s, when it was the complacency shown by the bank and other financial institutions which started Africa down its present disastrous path.

Sure, some of the money was wasted, but what about the huge hike in interest rates in the 1970s, or the steady erosion of the terms of trade – often exacerbated by the IMF's insistence on forcing all its client countries to grow the same few cash crops? And how does good governance or financial probity find a foothold in a wrecked economy? Mr Wolf's expectations are unrealistic.

The burden of unsustainable debt results in hospitals without medicines, schools without books or money to pay teachers, and malnourished, stunted – or just plain dead – children. Twenty-one million extra child deaths in the next decade, Mr Wolf, if debt relief is not granted. If you can argue against that then your heart is even harder than your head.

Bill Linton,
39A Fox Lane,
Palmers Green,
London N13 4AJ, UK

Multinationals ignore trailing spouses

From Dr Elisabeth Marx.

Sir, The support of spouses in international assignments is becoming increasingly important. As cited in your article, "Don't forget the trailing spouse", (May 6), support programmes in companies such as Shell International Petroleum can be seen as highly progressive. Unfortunately, our own research of 92 British and 92 German companies (supported by the Anglo-German Foundation) shows a less encouraging picture, as only 5 per cent of companies in the UK and 15 per cent of companies in Germany look at the spouse issue at selection stage.

It should therefore not come as a surprise when the same companies report the issue of "trailing spouses" as one of their top problems in managing international assignments.

Elisabeth Marx,
NB Selection,
54 Jermyn Street,
London SW1Y 6LX, UK

Macedonian Slavs are in the majority

From Mr Hugo Anson.

Sir, Your article "Kosovo separatists declare war" (April 30) states that "Macedonia also has an ethnic Albanian majority".

This is incorrect. Ethnic Albanians make up about a quarter of Macedonia's population. Around 70 per cent of the population are Macedonian Slavs. Even the wildest Albanian activists in Macedonia never claim that the ethnic Albanians account for more than 30 per cent of the country's population.

Hugo Anson,
80 Bourne Street,
London SW1W 8HQ, UK

When more is of greater interest

From Professor Geoffrey E. Wood.

Sir, In his defence of Wim Duisenberg's proposals for some aspects of the European Central Bank's operations, Wolfgang Munchau criticised the Bank of England's current procedures ("Transparent, but not open", May 11). Rather than comparing these with a hypothetical ideal – for while the ECB's methods may well (or may well not) be ideal they are certainly hypothetical – it is more useful to compare what the Bank does with currently available options.

The Bank of England publishes the decision of the monetary policy committee, the votes which produced that decision, minutes of the discussion which led to those votes, and, once a quarter, the inflation report which informed that discussion. The decision has to be published. Publication of the decision and votes would give no clue as to the underlying analysis and thus would not help in shaping and stabilising expectations. Decision, votes, and discussion would be an improvement on that, giving information on what the MPC thinks important. But once that is done, why not also publish the analysis which informed the discussion?

The present arrangements are unlikely to be perfect. But would suppressing information improve on them? Economists usually criticise those who say that it is better not to give consumers information because it just confuses them. Consumers can ignore the information if they think it excessive. Surely the same argument holds for information made available to those concerned with interest rate decisions.

Geoffrey E. Wood,
professor of economics,
City University Business School,
Frobisher Crescent,
Barbican Centre,
London EC2Y 8HB, UK

Real cause for disquiet

From Ms Anna Farrell.

Sir, In his review of the film *Lolita* (May 7) Nigel Andrews does every thinking man an injustice by suggesting that they will give Jeremy Irons' Humbert "a free pardon" by endorsing his sexual relationship with a 12-year-old girl.

Sexual abuse of children has ruined and continues to ruin millions of lives the world over. Like Andrews, the culprits do not see the error of their ways. It is heartening that the world has grown up since the 1963 movie and is mature enough to express its disquiet with a film which attempts to excuse the inexcusable.

Anna Farrell,
Natalie Zahlesvej 21, 2.th.,
2450 Copenhagen SV,
Denmark

Realities of the UN's role

From Mr Humphry Crum Ewing.

Sir, In looking for a return to a hard and fast distinction, on the part of the UN and others, between peacekeeping and peacemaking David Bershtein (Letters, May 11) ignores the harsh realities of today's world. The form and nature of each complex international emergency changes almost from day to day and each requires the whole range of interventions, humanitarian, military and civil. This is apparent to all – such as the Carnegie commission on preventing deadly conflict and those engaged in the UK's strategic defence review – who look at these realities.

The UN must become a mechanism for applying that amorphous force spoken of as "world opinion" and must not be allowed to revert to being the sort of useless talking shop that Mr Bershtein favours.

Humphry Crum Ewing,
The Centre for Defence and International Security Studies,
63 Baker Street,
Reading RG1 7XY, UK

Number One Southwark Bridge, London SE1 9HL

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A purely local problem

The proposed merger of SBC Communications and Ameritech has caused some twitching among US policymakers. Understandably so: even the most hardened free marketeer must blench slightly at a *de facto* monopolist with a market value of $120bn.

For once, though, size may be irrelevant. The smaller merger of WorldCom and MCI, which will control more than half the US's internet backbone capacity, arguably poses more threats to the consumer. And last year's mooted merger of SBC and AT&T – rightly torpedoed by the authorities – would have combined two companies which should, in a non-regulated world, be in fierce competition.

To see why the merger of Baby Bells is a lesser threat, consider what the 1984 break-up of the old AT&T aimed to achieve. Mainly, it threw open to competition the fast-growing business of long-distance and international telephony.

Less important, it broke the local monopoly into seven pieces. One motive was to introduce competition by emulation. As soon as Wall Street, for instance, could make direct comparisons between the Baby Bells, levels of efficiency were promptly rewarded or punished through the share price.

The merger of SBC and Ameritech would reduce those pieces to four. Suppose a *reductio ad absurdum*: a further merger into a single nationwide system. How much of the original intention would be lost?

In terms of emulation, perhaps not much. Investor capitalism has come a long way since 1984, and even the biggest companies must perform. There is also a new generation of fast-growing local specialists – WorldCom being one – as a yardstick.

The pushing together of two contiguous monopolies can also be less threatening than it looks. First, it can go wrong, as in one or two spectacular cases in the railroad industry. Second, the defence against monopolistic abuse still lies with the regulator.

It would not do to be complacent. The crucial question is why these companies want to get together in the first place: and the working assumption is that what is good for them is bad for the consumer.

But in reality, cracking the local telecoms monopoly has defied the efforts of the authorities. The most headway, arguably, has been in New York, where the FCC has used the merger of Nynex and Bell Atlantic to extract concessions on market access.

And this, surely, is the key to SBC-Ameritech. If the FCC can use the deal as a lever to introduce competition, well and good. If not, it should of course block it.

Food for war

Compassion demands a prompt response to the tragedy in southern Sudan, where some 350,000 people are in danger of dying from hunger. But more than humanitarian measures are needed. Peace talks between warring factions in the region have been suspended for three months. In the face of such a human disaster, that is intolerable.

It is civil war rather than drought that has led to the danger of famine; and it is problems with food delivery, rather than availability, which are causing the suffering. Feeding the hungry on terms laid down by the protagonists also fuels the war: inevitably some of the food is diverted to the rival armies. But by easing the suffering, donors free the protaganists from responsibility for their actions, thus reducing the pressure to reach a settlement.

This is Africa's longest running civil war, dragging on for 40 years with only a brief respite. At least 1m people have died from fighting or famine. It pits the extremist Moslem regime in Khartoum against southern-based Christian rebels seeking autonomy or outright independence. In recent years it has threatened to widen into a broader regional conflict involving Uganda, Ethiopia and Eritrea.

It is 10 years since Operation Lifeline Sudan was launched to feed the civilians caught in the middle. Hailed as a breakthrough at the time, it involved the UN and both warring factions, established safe corridors and cross-border relief operations. But the combatants have been allowed to abuse the agreement, using food to co-opt, coerce or punish the innocent, safe in the knowledge that when disaster looms, the donors will bail them out.

More than that, the aid programme lifts the pressure on the combatants to reach the peace the country desperately needs. The basis of a settlement may be emerging: a loose confederation between north and south, with a referendum after two years on autonomy for the south. Khartoum has proposed a tighter federation than the rebels would like, but has at least accepted the principle of self-determination in the south.

Bridging the gap need not be hopeless. But both sides believe a military victory is still possible. As long as aid donors bail out the war lords by assuming responsibility for the victims, prospects of a settlement are slim.

One cannot expect the international community to allow the civilian population to starve. But far greater pressure is needed to force both sides of this grim civil war to sue for peace. Europe and the US should add their weight to the regional peace initiative so that both sides return to negotiations forthwith.

Productivity gap

Improving Britain's productivity is Labour's latest big idea. Gordon Brown, the chancellor, reminded us of this yesterday, when he turned up to hear the preliminary findings of a McKinsey report into Britain's productivity gap.

The consultancy confirmed that, despite the "productivity miracle" of the 1980s, the UK still lags behind its major competitors. UK market sector output per capita is 40 per cent lower than the US, and 20 per cent behind West Germany.

Some of the gap is explained by the different composition of Britain's labour force. Without the constraint of a minimum wage (for now), there are more low-skilled, low-wage workers in Britain than in France or Germany. This reduces average productivity, but does not make Britain less efficient.

Much more of the differential, though, is a result of Britain's low capital stock, a legacy of years of concentrating on low-tech industry. The British labour force, with a smaller and older stock of capital to work with, is bound to be less productive.

The mystery is that investment growth in the UK is still relatively slow, despite the fact that a low capital stock should make additional investment very profitable. The UK's share of investment in gross domestic product has been consistently lower than the EU average for decades. Investment during the current recovery has been sluggish, and is hardly likely to improve in the near future, with company cashflow being hit by tax changes.

There is no straightforward explanation for this, but McKinsey puts forward several possibilities. One obstacle is product market regulation which, it suggests, may be more important than labour and capital market factors. Certainly excessive regulation is still important in some sectors. But this does not explain why the UK is so far behind the equally heavily regulated countries of the EU.

Management attitudes could be much more important. The two huge recessions in the past 20 years have undoubtedly changed attitudes. Many managers could be wary of making long-term investment commitments; far safer to take on extra labour, which could always be shed when the next crunch comes. If this is true, it will take a prolonged period of macroeconomic stability before companies will take bigger risks.

Any investigation into what holds Britain back is welcome: Gordon Brown should realise, though, that the policy prescriptions are not likely to be very exciting. The most important ways the government can help are to provide a stable macroeconomic environment, a good regulatory system, and a well-trained stock of labour. Any attempt at quick fixes could just make matters worse.

The Indonesian endgame

Peter Montagnon and **Sander Thoenes** argue that if the riots in Jakarta continue unabated, President Suharto's days in office will be numbered

Anger, exhaustion and gloom. All these emotions could be read on the face of Indonesia's President Suharto as he stared into the television cameras in Cairo this week. But not necessarily yet despair.

For many, both in and out of Indonesia, his abrupt return home today to a riot-torn Jakarta marked the beginning of the final crisis of his 32-year presidency. Unless the rioting stops soon, Mr Suharto may have no choice but to step down.

The force of the riots has shaken the previous conviction that the Indonesian leader might hang on, like his predecessor President Sukarno, for months or even years before finally being edged out. The end-game for his presidency clearly started with the onset last year of Indonesia's most severe economic crisis in decades. But there was always doubt about how quickly it would conclude.

Until this week it has been widely assumed that the wily Mr Suharto, who is long-practised in the art of dividing and ruling over his opposition, had a more formidable grip on the levers of power than would be expected of a leader facing such an intractable crisis.

But many analysts also thought that the critical moment for him would come when rioting spread out of the university campuses on to the streets, and when it spread from provincial cities to the capital which the authorities have always tried to keep calm.

Suddenly on Monday that time came with the apparently wanton – and still unexplained – shooting from behind of six students from Jakarta's most prestigious university. By yesterday there had been several more deaths. Rioting and looting had spread to large tracts of the capital, in particular to the northern parts of Jakarta where the Chinese community live. The phones in the capital were going down intermittently, while offices and banks were closing so that staff could go home.

From left to right: former president Sukarno; president Suharto; a protestor in Jakarta; vice-president B.J. Habibie

Yet the Javanese culture which Mr Suharto embodies is one of the most unfathomable in the world. Things are not always what they seem and nothing is taken at face value. Thus diplomats in Jakarta yesterday played down Mr Suharto's vaguely worded statement of willingness to step down in the face of such disorder. It could simply be a ploy to see whether there is any real opposition at a time when no obvious replacement is in sight.

Having allowed chaos to develop while he was abroad, Mr Suharto now also has an opportunity to show he is the only one who can maintain control, says Gavin Greenwood of the London-based Control Risks consultancy. "This is one trick he seems to pull every time," he adds. "And to prove he's in control, there has to be chaos."

Such a view may seem curious considering the extent of the mayhem this week, but Mr Greenwood points out that Medan, a large city in Sumatra, is now quiet after earlier violent riots. In Jakarta the focus has moved away from students and on to ordinary people who, on past form, eventually tire of running amok. The brutal fact is that popular riots are also easier for the authorities to crush, because there is less adverse publicity than when the casualties are among articulate students.

Still, even Mr Greenwood admits this may be Mr Suharto's last chance. Failing a speedy restoration of order which would allow him to limp on for a while longer, the situation could develop in one of two ways, says Bruce Gale of the Political and Economic Risk Consultancy in Singapore.

One is that there will be a brutal crackdown by the military. This would radicalise the opposition, and foment popular resentment against the local Chinese community, the International Monetary Fund, which has imposed austerity on the nation, and foreign multinationals that have enriched themselves by forging links with companies controlled by Mr Suharto's family.

The other is that the establishment – which includes both the military and leading business figures – would persuade Mr Suharto to step down before popular opposition becomes that extreme. The National People's Congress, which selects the president, would then be quickly convened and a new president selected.

Mr Gale argues that this has now become the most likely option, as the elite deserts Mr Suharto in the light of this week's unrest and as the rupiah collapses again. Yet two serious obstacles remain: the position of the armed forces, and the lack of any obvious alternative to Mr Suharto.

In theory B.J. Habibie, an eccentric engineer co-opted by Mr Suharto as his new vice-president, would automatically take over if the president retires. But Mr Habibie has no real power base at all. It is unclear how long he could last without Mr Suharto.

Neither of the two main civilian opposition figures has the standing to succeed. Megawati Sukarnoputri, the former president's daughter, enjoys wide popular appeal but lacks decisiveness and proven powers of leadership. Amien Rais, a moderate Moslem intellectual who has called on Mr Suharto to step down, lacks firm support from the army. They must both be part of the solution, in that any ultimate successor to Mr Suharto requires their endorsement. But it seems unlikely that either can actually be the solution.

For all the publicity now surrounding Ms Megawati and Mr Rais, most analysts assume the eventual successor to Mr Suharto will have to be a military man. Generally, it is also thought he must be a Moslem, as is most of the population, and a native of Java, Indonesia's central and most populous island.

Indonesia's present tragedy is that the social and economic melt-down has proceeded much faster than the search for a replacement president – or the development of a consensus on how to handle the transition.

Indonesia's present tragedy is that the social and economic melt-down has proceeded much faster than the search for a replacement president

Only now is thought being given to the formation of a coalition that could oversee political change. A group of opposition leaders is rushing to form a council to appeal for support of the people and the military.

"We're not going to see, in this initial stage, anyone emerging as a single leader because they are all of the same height," one diplomat said. "We're going to see a council or team form. It won't last long but it may last long enough to be a bridge to a new government."

Besides Ms Megawati and Mr Rais, this group includes Abdurrahman Wahid, another Moslem leader, as well as Mar'ie Muhammad, a respected finance minister in the previous cabinet and a former student activist. Fellow economists Emil Salim, Mohammad Sadli and Kwik Kian Gie are expected to join.

This group includes some of the country's brightest and least corrupt economists, but few competent politicians and few natural long-term allies. Mr Wahid, a cautious intellectual who has been bedridden after a stroke, has been suspicious of the populism and ambitions of Mr Rais.

Ong Hok Ham, a prominent historian, believes a military crackdown, with or without Mr Suharto as president, is still the most likely outcome. "Activists have been kidnapped, artists are put in jail, students have been killed," he said. "If they are willing to go this far, they are serious."

The attitude of the army remains pivotal, and its intentions are still obscure, possibly because the generals have no common view. General Wiranto, the chief of staff, has contrived to appear both loyal to Mr Suharto and a supporter of orderly change. While he is seen in south-east Asia as highly competent, a man of integrity and a good professional soldier, it remains hard to know where he stands on the issue of the transition.

He has failed explicitly to condemn the use of force against the students or to say clearly whether he supports Mr Suharto. Some argue that the vagueness of his public statements betrays a lack of leadership that has set back his own chances of succeeding. Others say he is simply playing his cards close to his chest. "I don't think the army has tried to stop the rioting. They've left it to the police as a signal to the old man that they couldn't contain it," says Michael Leifer of the London School of Economics.

For Mr Wiranto to assume office would require another ambitious and powerful officer, General Prabowo Subianto, the president's son-in-law, to withdraw from the fray. Mr Prabowo has long been known to harbour ambition for high office, though he may now have become tainted by his connection to the first family.

Until these issues of personal ambition are resolved, the final elements of the extraordinary Indonesian drama cannot fall into place. Meanwhile, the economic and social tribulation is increasing. Economists say that there seems little chance that the country will meet its IMF targets while the situation careers out of control. "The longer the riots go on, the more long-term damage is being done to the economy," says Tom Inglis of ING Barings in Jakarta. One silver lining amid the storm clouds is that the students who have sparked the unrest for now reserve their invective for Mr Suharto, not for the IMF. The technocrats who were ousted from the cabinet after the presidential election in March remain in the wings. Indonesia could quickly have a competent alternative government that could carry out reform.

But first it may need a new president. And there is severe doubt that one can be found in an orderly way. In the background, people are still paralysed by a fear that any change could end in chaos. "We have no agreement about what to do next," said Sulaiman Haikal, former secretary of the Pijar student movement. "The people are ready but we have no strong figure. We are still waiting for the one who is ready to stand in front. It could blow up and we could just have anarchy."

OBSERVER

Retarded regulator

The Japanese authorities keep saying that the Big Bang in their financial markets will bring increased transparency. They'll have to get their skates on if that's going to apply to the super-duper Financial Supervision Agency they are supposed to set up by June 1.

There is still a lamentable lack of transparency over one or two details – like who is going to head the FSA, who is going to staff it, what its mandate will be and how it will actually work.

The uncertainty has provoked much grumbling among perplexed foreign securities companies about lack of information from the Ministry of Finance on how to comply with the new regime. But blaming the MoF isn't entirely fair: the FSA is supposed to be independent, so the the only person who can talk about it is its – still non-existent – boss.

Many of the bankers and bureaucrats who have the qualifications also have links to past corruption scandals. A few lawyers and diplomats have been sounded out as "clean hands" choices, but haven't been keen. Two good candidates were grabbed for the top jobs at the Bank of Japan.

The MoF has been told to send 300 of its 1,000 employees to staff the FSA. But 100 ex-MoF officials – many quite senior – were hauled over the coals recently over links to corruption scandals. So when the new boss gets round to writing the job descriptions, it might be hard to find a big enough pool of qualified candidates.

Roll on June 1.

Silent disapproval

Most of the world is saying what it thinks about India's nuclear tests, but there hasn't been a peep from the European Commission.

True, the UK – as holder of the European Union presidency – swiftly condemned the tests, but the EU's most visible embodiment can't even come up with a platitude like: "We are monitoring the situation with concern."

Recently-appointed chief spokeswoman Martine Reicherts yesterday ducked even factual questions on EU aid to India. The 20 commissioners did not discuss India at Wednesday's weekly meeting, she said.

Anyway, the issue was "not within the Commission's competences" – which hasn't stopped Brussels sounding off about virtually anything it felt like in the past. So much for a common foreign policy.

Global view

Wall Street was apparently determined not to miss last night's final episode of the cult television comedy series *Seinfeld* – even if it did clash with JP Morgan's conference on globalisation at New York's Plaza Hotel.

There were worries that some of the big-time investors and chief executives of leading US companies wouldn't be able to concentrate – some might even sneak out to find a TV.

So a giant screen was installed and the talkfest was interrupted at 8.45 for the serious business – an hour of "gourmet popcorn and sparkling fizzy pop" in front of the telly.

Cop flight

Forget exit polls and early election returns if you want to know who has won the Philippine presidential election – yes they did vote on Monday, but the pace of life is slow in the laid-back tropical archipelago and the counting will go on for some days yet.

A clear sign that the libidinous, tippling vice-president and former B-movie star Joseph "Erap" Estrada is heading for the biggest role of his career is the sudden departure from the Philippines of former senior police officer Reynaldo Berroya.

Berroya brought such enthusiasm to his last police job as head of an anti-kidnapping task force that he started running his own kidnapping ring. After he got out of prison, he migrated to the administration camp's dirty tricks team to rubbish the vice-president. He "uncovered" a plot by Estrada to assassinate President Fidel Ramos – one of the more improbable suggestions of the election campaign.

Berroya has apparently fled the country for Switzerland or the US for "security reasons". Wonder if he splashed out on a return ticket.

Light programme

Hungary's stock market didn't enjoy Sunday's first round of parliamentary elections, in which the main opposition party Fidesz took 28 per cent of the vote. Prices fell 2.5 per cent a day for three days.

Anxious to stop the rot, the party's nationalist-conservative leader Viktor Orban scurried along to the exchange yesterday to assure one and all that Fidesz isn't radical. Orban campaigned on a pledge to slash taxes, producing an outbreak of honesty among the rich, and keeping the tax take level. Nothing radical about that.

Maybe he convinced some of the dealers: the market only fell 1 per cent yesterday.

Cab rank

It seems that New York mayor Rudolph Giuliani enjoyed Wednesday's one-day strike by the city's yellow cab drivers over his plans to fine them for being rude to passengers.

As the cabs flooded back yesterday, Giuliani said it had been good not to have them around causing accidents, noise and pollution and he was considering a new law to ban them from the streets one day a week. It doesn't sound as if he's backing down.

The Financial Times 50 years ago

Palestine And The £

Arrangements for making sterling payments on Palestine accounts after to-day's surrender by Great Britain of her mandate are announced by the Treasury in London. When Palestine's sterling balances were blocked on February 22, arrangements were made for £7,000,000 to be released to supplement current accruals of sterling and enable Palestine's essential needs to be met. In view of conditions in Palestine, the British Government has decided that it is impractical at present to make further releases after to-day. Palestine's £100 millions of sterling balances were blocked when the territory was excluded from the sterling area in February last.

Cargoes Held Up

Dar-Es-Salaam, May 14. Several ships from the United Kingdom, United States, South Africa and elsewhere held up for a week or longer before discharging of cargo could commence; lighters lying idle by the quayside full of cargo which it is impossible to unload; storage sheds full, deliveries of tank landing craft and lighters not up to expectations; these are the factors contributing to port congestion which leading shipping agents to-day described as being "every bit as bad as last year, and in fact worse."

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FRIDAY MAY 15 1998

THE LEX COLUMN

Splitting the difference

The Deutsche Terminbörse is doing what its traders do – hedging its bets. Political pressure in euroland is for a continental reference interest rate: the Euribor. But financial markets want liquidity and a standard they can count on. London's Libor suits them just fine. The German derivatives exchange hopes that by adopting both for contracts denominated in euros it can satisfy both constituencies. But it has taken the wrong punt.

Using both reference rates, without recommending either, is confusing, and risks splitting liquidity. The DTB is already dwarfed by Liffe in the market for the key three-month euromark contract. Now its share of those products using a Libor benchmark will shrink further. Meanwhile, by not giving full endorsement to Euribor, the DTB threatens to limit its potential. Euribor will anyway start life with enough problems. With a pool of over 60 banks determining the rate, it will be more unwieldy than Libor. Its rate is also expected to be marginally higher than Libor's, a reflection in part of the lower credit rating of some of its banks. With this stacked against it, a less than full endorsement from the DTB hardly helps.

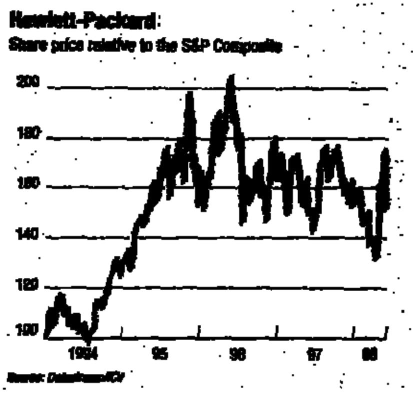
The probability, if London can keep its grip on the cash market, is that Libor will win out, with Euribor left to wither on the vine. Still, it could be worse. Imagine a European Central Bank-inspired fudge: four years Libor, four years Euribor.

Hewlett-Packard

It is an astonishing fact that Hewlett-Packard increased its personal computer sales by 70 per cent in the first three months of this year – and lost money on most of them. To blame are price cuts of 20 per cent or more on business PCs, as rivals like Compaq have frantically tried to clear stock. The continuing shift to sub-$1,000 machines at the consumer end has not helped either.

This is a setback for HP, which had managed its inventory better than most, but had to cut prices anyway to maintain market share. What makes it particularly bitter is that Wall Street scepticism about the group's aggressive move into PCs was only just starting to fade. While the PC division is producing faster revenue growth than HP's traditional printers, investors were obviously right to worry about the accompanying thin margins.

Hewlett-Packard:
Share price relative to the S&P Composite



Source: Datastream/ICV

The bigger worry is how rapidly the PC industry is commoditising, despite ever more powerful machines and healthy annual unit growth of 14-15 per cent. HP's example shows that the better service promised by integrated vendors like itself, International Business Machines and Compaq/Digital offers little protection against the lower prices of Dell or Gateway. Will IBM be able to buck the trend? Lou Gerstner, its chairman, thinks so. He has just reiterated his target of double-digit sales growth, sending the shares up 6 per cent on a day when HP fell nearly 15 per cent. Investors might want to be more sceptical.

Japanese M&A

Could foreign merger and acquisition activity offer a way out of the mire for Japan? Until recently, the prospect would have seemed fantasy. But the spectacle of Daimler-Benz negotiating to take control of Nissan's truck business suggests change is afoot.

In theory, of course, Japan should be an M&A paradise – lots of companies earning pitiful returns on equity and trading well below net asset value. Practice has proven rather different. A measure of the country's hostility to foreign investors is the meagre flow of foreign direct investment – less in 1996, for example, than Cambodia. Partly this reflects poor disclosure, making it difficult for acquirers to know what they are buying. But the main problem is the ownership structure, with some 60 per cent of shares held in cross-holdings by friendly companies. That has led to a chronic lack of shareholder pressure, which has allowed even poor managements to remain ensconced.

What is now changing? Clearly the business environment is tough. Automotive sales are falling, and Nissan had been struggling anyway with a return on equity of only 5.4 per cent last year. Higher borrowing costs, as banks start to price risk better, is added salt in the wound. With many other companies feeling similar pain, there will surely be more such deals. Inasmuch as that breathes fresh life into Japan's corporate sector, it is good news.

Unified Energy Systems

There is never a dull moment at UES, Russia's national electricity monopoly. But as a barometer of corporate governance, the semi-privatised giant is a poor advertisement for the joys of investing in Russia. Riven for much of the year by a boardroom battle mirroring that within the government, UES now has another problem on its hands. With the Communist-dominated Duma passing a law restricting foreign ownership to 25 per cent, outside investors who hold some 30 per cent are clearly at risk.

While such a restriction can be justified on national security grounds, unless ignored it will undermine the Federal Securities Commission's efforts to curb flagrant violations of minority shareholder rights. Confiscating the balance of the shares above 25 per cent would be depressingly crude and looks unlikely, assuming yesterday's comments from reformist board member Boris Brevnov carry weight. But since the government lacks ready cash to buy out the shares at the market price, the outcome looks painful. Diluting foreign shareholders through a capital increase is the most likely course of events.

If that type of discrimination occurs, the cost to the government and to other Russian companies seeking foreign capital will be high. As the sharp fall in UES shares demonstrates, the value of the government's holding will fall and foreign interest in future privatisations be damped.

France transfers stake in Dassault to Aerospatiale

Move aims to boost negotiating power in European aerospace talks

By David Owen and Robert Graham in Paris

The French government yesterday moved to strengthen its hand in negotiations on the structure of the European defence industry by transferring its 46 per cent stake in Dassault Aviation to Aerospatiale, the state-owned aerospace group.

The Dassault shareholding will considerably increase the industrial and financial muscle of Aerospatiale in talks with British Aerospace and Germany's Dasa on the construction of a joint European aerospace group capable of competing with the leading US companies.

"This is a Franco-French solution, but is conceived in the broader logic of the urgent need to restructure Europe's aerospace industry in conjunction with the Germans and the British," said an official involved in the move.

Discussions among the European groups have been under way for more than six months, prompted by the three governments. However, an important obstacle has been the fragmented nature of France's military and civilian production, which is split between state-controlled entities and Dassault.

Yesterday's announcement is understood to have had the blessing of Serge Dassault, the head of Dassault, who has fended off efforts by successive governments to broker a merger between his family company and Aerospatiale.

Mr Dassault has repeatedly said he would agree to such a merger only if the government privatised Aerospatiale, which is part of the Airbus civil aircraft consortium. The Dassault family owns 49 per cent of Dassault Aviation, with the remainder in public hands.

It was not clear yesterday whether Mr Dassault had secured a commitment to eventual privatisation of Aerospatiale as part of a restructuring of the European industry.

To underline the need for reorganisation, the French government yesterday said it had asked the two groups to form a "strategic committee" to "optimise their industrial, commercial and technological resources". Paris said it intended to encourage consolidation of the French aerospace industry ahead of possible alliances with the main European manufacturers, "to create a powerful and competitive grouping". Last autumn's reorganisation of Thomson-CSF, the defence electronics group, also emphasised a belief that French companies should consolidate to improve their bargaining position.

Yesterday's announcement made clear that Dassault Systèmes, the computer-aided design company, would not stay within this new grouping. French officials said the state would get Aerospatiale shares in return for the transfer of the Dassault holding.

The announcement came two days after Dassault lost out to Lockheed Martin of the US in the battle for the sale of its advanced Rafale fighter to the United Arab Emirates. The high cost of developing the Rafale is the biggest question mark hanging over Dassault. The rest of the company's operations, especially its executive jet business, is strong.

Nato may send force to Albania to monitor border with Kosovo

By Alexander Nicoll, Defence Correspondent

Nato has sought the advice of its military planners on the possibility of deploying a force in Albania to monitor its border with the violence-torn Serbian province of Kosovo.

A senior Nato official said yesterday the organisation's military committee had been asked to study the options available if the situation in Kosovo deteriorated.

Belgrade claims arms are being smuggled across the border to ethnic Albanian guerrillas.

This is the first public indication the alliance is contemplating a military presence to deal with growing violence in the province, which threatens to provoke a wider Balkan conflict.

Javier Solana, Nato secretary-general, discussed Kosovo with Robin Cook, UK foreign secretary, during a visit to London yesterday.

UK officials said little could be determined about the international community's approach before today's US-brokered meeting in Belgrade between Slobodan Milosevic, Yugoslav president, and Ibrahim Rugova, leader of Kosovo's ethnic Albanian majority, comprising 1.8m of its 2m population.

Intense diplomatic activity will continue at the weekend in Birmingham, England, where leaders of the Group of Eight leading industrialised countries are due to discuss Kosovo and where senior officials of the six-nation Contact Group will meet.

Mr Solana said of Nato's involvement: "At this time, the only thing we are doing is planning, programming, looking for military advice, but we have not taken any decision. Let's see how things evolve on the ground and we will take the decision when the moment comes."

Italy was among countries favouring a presence in Albania, officials said. A fact-finding mission from Nato's military headquarters visited Albania this week and is preparing advice for Nato foreign ministers when they meet this month.

Any force sent to Albania would be small, perhaps slightly larger than the 2,000-strong United Nations force stationed in the Former Yugoslav Republic of Macedonia near its border with Kosovo.

Discussions on a Nato force are taking place in the context of the August expiry of the mandate of the UN force in Macedonia. Nato members believe this operation has been successful and would like the mandate renewed.

It is also possible that the UN mandate could be transferred to Nato or the Organisation for Security and Co-operation in Europe, or a combination of international bodies, officials said.

Nato is helping Albania with advice and training on policing the border and is planning a military exercise in Albania in the autumn. But it is anxious not to appear to be acting against the Kosovars and for Mr Milosevic.

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Police guard the G8 summit venue in Birmingham, England. Page 4

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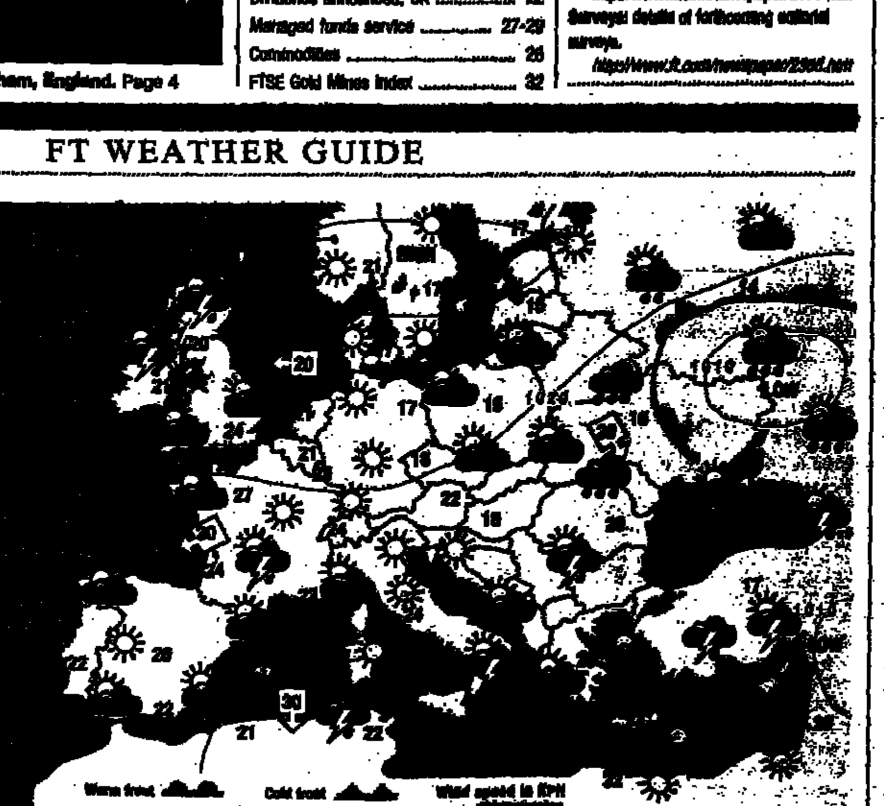
FT WEATHER GUIDE

Europe today

Northern Scandinavia will have showers but the rest of the region will be fine and mainly sunny. Low pressure will dominate the far east of Europe, particularly the Ukraine and the Black Sea region, where there will be widespread thundery showers. Central and most of western Europe will continue dry and sunny. Western and far east areas of the Mediterranean will be unsettled with sun and thundery showers. The rest of the Mediterranean will be warm and sunny, apart from afternoon showers over southern Italy.

Five-day forecast

Eastern Europe will become unsettled with thundery showers in many places. Northern Europe and southern Scandinavia will stay dry with sunny spells. Most of southern Europe will have showers, although Spain and Portugal will be mostly fine.



Situation at midday. Temperatures maximum for day. Forecasts by "PA" WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	42
Accra	Fair	33
Algiers	Shower	21
Amsterdam	Sun	21
Athens	Fair	28
Atlanta	Sun	33
B. Aires	Fair	17
B.ham	Fair	22
Bangkok	Shower	34
Barcelona	Shower	23
Beijing	Fair	28
Belfast	Shower	20
Belgrade	Fair	21
Berlin	Fair	17
Bermuda	Fair	24
Bogota	Shower	20
Bombay	Sun	35
Brussels	Sun	21
Budapest	Shower	18
C.hagen	Sun	17
Cairo	Sun	26
Caracas	Fair	33
Cardiff	Shower	22
Casablanca	Fair	20
Chicago	Thunder	29
Cologne	Sun	24
Dakar	Sun	25
Dallas	Fair	25
Delhi	Sun	40
Dubai	Sun	42
Dublin	Shower	21
Dubrovnik	Fair	23
Edinburgh	Fair	19
Faro	Fair	22
Frankfurt	Sun	23
Geneva	Fair	24
Gibraltar	Fair	23
Glasgow	Shower	20
Hamburg	Fair	19
Helsinki	Sun	17
Hong Kong	Shower	30
Honolulu	Fair	29
Istanbul	Fair	18
Jakarta	Fair	32
Jersey	Fair	18
Johannesburg	Sun	17
Karachi	Sun	39
Kuwait	Sun	39
L. Angeles	Fair	19
Las Palmas	Fair	23
Lima	Fair	25
Lisbon	Fair	22
London	Fair	24
Lux.bourg	Sun	23
Lyon	Fair	24
Madeira	Fair	21
Madrid	Fair	26
Majorca	Fair	24
Malta	Fair	24
Manchester	Fair	23
Manila	Shower	34
Melbourne	Fair	20
Mexico City	Sun	30
Miami	Sun	32
Milan	Fair	27
Montreal	Fair	26
Moscow	Shower	14
Munich	Sun	21
Nairobi	Shower	25
Naples	Sun	26
Nassau	Sun	31
New York	Fair	26
Nice	Fair	22
Nicosia	Thunder	34
Oslo	Fair	21
Paris	Sun	27
Perth	Fair	24
Prague	Fair	15
Rangoon	Fair	34
Reykjavik	Shower	7
Rio	Fair	28
Rome	Fair	24
S. Frsco	Fair	17
Seoul	Sun	27
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Venice	Sun	24
Vienna	Fair	22
Warsaw	Shower	15
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Wellington	Fair	14
Winnipeg	Shower	19
Zurich	Sun	23

FINANCIAL TIMES
COMPANIES & MARKETS

FRIDAY MAY 15 1998 Week 20

INSIDE

Bidding war likely after Seagram move

A week after Seagram chief executive, Edgar Bronfman Jr (left), started talks to buy PolyGram, the Dutch entertainment group, other potential suitors *are now lining up and a* fiercely contested bidding war for the company seems likely. But why has PolyGram attracted so much attention in the 10 days since Philips said it was "evaluating" the future of its majority holding? Page 18

Vickers defends R-R Motors deal

For many British investors Vickers' sale of Rolls-Royce Motor Cars to Volkswagen, a German company, is a national humiliation. However, Vickers argues that emotional attachments cannot *withstand the sale's financial logic* and that R-R Motors will enjoy a brighter future under the control of VW. Page 21

S Koreans set high asset sales target

South Korea's six top conglomerates are hoping to raise $30bn through asset sales to foreign investors to reduce their corporate debt. But analysts say the expectations of the conglomerates, or *chaebol*, are over-optimistic. Page 19

Casablanca bourse's climb continues

Casablanca's emerging bourse has risen impressively since the beginning of the year, gaining more than 21 per cent. Many stock prices have reached historical peaks and prices are more than 18 times earnings. Analysts say several domestic factors lie behind this performance. Page 36

Zimbabwe tobacco action expected

Hundreds of Zimbabwe's tobacco growers are expected to call for measures to offset the effects *of low prices at a protest at Harare's main* tobacco auction floor today. Page 26

Hewlett-Packard warning causes jolt

Tech shares were jolted after Hewlett-Packard's warning that its second-quarter earnings, expected today, would fall "well short" of estimates. Pricing pressures in the personal computer market and Asian economic weakness were blamed. Page 20

Mitsubishi joins Mozal project

Mitsubishi Corporation, the Japanese trading group, has emerged as the third partner in the Mozal aluminium project in Mozambique. Meanwhile, Billiton, the London-listed mining company that is the project's biggest investor, has given the go-ahead for the $1.17bn smelter. Page 26

JCB plans its first US plant

JCB Group, the British construction machines manufacturer, is planning to challenge its north American competitors with its first production base *in the US. The plant is due to be built* by 2001 and is expected to produce up to 10,000 machines a year. Its location is still to be decided. Page 22

COMPANIES IN THIS ISSUE

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MARKET STATISTICS

Daimler set to take Nissan Diesel

German group to inject funds into troubled truckmaker

By Paul Abrahams in Tokyo and Haig Simonian in London

Daimler-Benz intends to buy between 50 and 60 per cent of Nissan Diesel, Japan's fourth largest truckmaker, according *to executives close to the deal.*

The move would make it the first foreign group to take over a Japanese automotive manufacturer.

However, the German group, which last week announced a merger with Chrysler of the US, has been angered by Japanese leaks about its plans and could reconsider.

The move could herald a wave of mergers and acquisitions in Japan by foreign companies. About 40 per cent of the main section of the Tokyo Stock Exchange is trading below book value.

The deal would consist of Daimler-Benz buying a substantial proportion of Nissan's 39.8 per cent stake in Nissan *Diesel.*

Daimler-Benz would also buy new shares issued by the troubled truckmaker, injecting badly needed capital, and might have to make a tender offer to other shareholders.

Nissan would keep less than 20 per cent of Nissan Diesel, while Daimler-Benz's stake would have to remain below 60 per cent or the companies together would risk owning more than 80 per cent, the limit at which Nissan Diesel would have to be delisted according to Tokyo Stock Exchange rules. The companies hope to close the negotiations by the end of June.

Pricing has been complicated by the sharp rise in *Nissan Diesel's shares since* the potential transaction became known. The shares have nearly doubled from Y160 last Friday, closing a further 18 per cent higher at Y310 last night. The shares were the most heavily traded on the Tokyo stock exchange.

The sharp increase has angered Daimler-Benz executives, amid suggestions they might still pull out.

The negotiations on buying a stake followed talks, initiated seven months ago, on possible co-operation between Daimler-Benz, the world's biggest truckmaker, and Nissan Diesel. The German company could still try to pursue its aims without buying any *equity.*

The pricing will largely depend on Nissan Diesel's balance sheet. A number of the company's dealerships have substantial off-balance sheet debts, as well as large inventories.

The business outlook is also cloudy. Although Nissan Diesel accounts for about 19 per cent of Japanese truck sales, the market has collapsed.

The company is also heavily exposed in south-east Asia, and is expected to post net losses of Y2bn ($15.48m) this financial year on sales of Y298bn.

Nissan is understood to have proposed that Hirofumi Nakazawa, a Nissan Diesel executive, should become the latter's president next month and *join the Daimler-Benz board.* The German company seems highly unlikely to agree and is thought to want management control for its stake of more than 50 per cent.

Nissan's negotiating position has been compromised by debts of nearly Y4,000bn after a huge expansion in the US and UK. The company has warned that consolidated net profits in the year ending in March plunged nearly 80 per cent to Y16bn on sales of Y6,500bn.

Lex, Page 16

Frankfurt exchange to endorse Euribor benchmark

By Edward Luce

The Deutsche Terminbörse, Germany's derivatives exchange, will today announce plans to endorse the new, Brussels-sponsored, alternative to London's benchmark money-market rate.

Jörge Franke, head of the DTB, said yesterday the move indicated Frankfurt's confidence that Euribor – the new money-market reference rate devised in Brussels – would topple the London inter-bank offer rate from its dominant position after European monetary union.

However, the DTB would also hedge its bets by continuing to list its three-month futures contract which is benchmarked against Libor as well as launching the Euribor contract later this year. Both Libor and Euribor are daily averages of the rates at which banks lend to each other.

"We believe that Euribor will become the benchmark in the euro-denominated money markets after Emu," Mr Franke said. "But Libor will also be liquid for some time so we are offering the market a choice during the transition period."

Today's move, which follows a low-key but powerful campaign by continental European governments to promote Euribor, *is likely to surprise some* brokers. "It seems the DTB is trying to be a bit too clever," said the head of derivatives at a US investment bank in London. "Either they choose Libor or Euribor, but to list both threatens to split liquidity."

International bankers are divided on the merits of the competing reference rates but point out that Libor is well established as the sole international *reference rate for inter*bank lending in dollars, D-Marks, lira, yen and sterling. Of the leading currencies, only the French franc is priced off a national benchmark.

Bankers also criticise Euribor for basing its calculation on a pool of 60 European banks compared with just 16 banks for Libor. The fact that some of the member banks of Euribor have lower credit ratings suggests that Euribor could be quoted at a higher rate than Libor, say bankers.

Lex, Page 16

COST CUTS AND OVERSEAS SALES GROWTH OFFSET SLUGGISH DOMESTIC MARKET FOR JAPANESE COMPUTER GAME GROUP

Super Mario 64 sends Nintendo profits up 48%

By Paul Abrahams in Tokyo

Super Mario, Donkey Kong, Bowser and the other Nintendo characters helped the Japanese computer game company deliver a big jump in profits in the fiscal year that ended in March.

The success of the Super Mario 64 and Mario Kart 64 games for the Nintendo 64 game console and Pocket Monsters on the Game Boy platform increased consolidated pre-tax profits by 48 per cent to Y155bn ($1.2bn).

Impressive sales growth overseas and cost cuts offset a sluggish domestic market.

Although Nintendo was losing market share in the US to Sony's PlayStation, the overall *market was growing rapidly* enough for both companies to do well, said Mitsuko Morita, electronics analyst at Morgan Stanley Dean Witter in Tokyo. In January and February the north American market for 32- and 64-bit game machines and software had increased year-on-year by 70 per cent.

However, Nintendo's net income was held back by an increase in the tax charge which rose from 9.4 per cent to 13.5 per cent. Net earnings rose 27.8 per cent to Y83.7bn. Income per share rose the same percentage to Y590.79.

Nintendo said improved manufacturing techniques helped generate a reduction in cost of sales. Its operating margin rose from 15.6 per cent to 23.9 per cent as a result.

The figures were in line with expectations, said Naoko Ito, electronics analyst at Goldman Sachs in Tokyo. However, she said the company's prediction for this year's net profits of Y100bn was Y10bn higher than expected. Since the pre-tax profit line was similar at about Y169bn, this suggested a substantial reduction in the tax charge. In Osaka, where the shares are traded, Nintendo's stock rose Y100, or 0.8 per cent, to Y12,020.

Consolidated turnover rose 27 per cent to Y534bn, with *overseas sales accounting for* 77 per cent of the total.

The group said the Japanese economy had been hit by last year's increase in consumption tax and higher unemployment. It expected a continuing decline because of lower personal consumption.

The board proposed a rise in the final dividend from Y50 to Y70 per share. The payout ratio would be 25.6 per cent. Internal reserves would be mainly used for research and development to produce "unprecedented types of amusement".

Swinging to the rescue: Donkey Kong and other popular computer game creations such as Super Mario have helped boost profits at Japanese company Nintendo where overseas sales growth has been impressive

Guinness forms alliance with top Egyptian brewer

By John Willman in London and Mark Huband in Cairo

Guinness, the brewing division of Diageo, has formed a strategic alliance with Egypt's leading brewer to produce non-alcoholic lager for the Middle East market.

Its partner will be Al Ahram Beverages Company (ABC), the recently privatised brewer, which yesterday celebrated its 100th birthday.

Under the agreement, ABC will become the exclusive producer and distributor in the region of *Kaliber, Guinness's* premium non-alcoholic lager. It will also brew and distribute Guinness alcoholic beers in Egypt, including Guinness stout and Kilkenny Irish beer. Guinness is the sixth largest brewer in the world by operating profit, with sales of £2.3bn ($3.8bn) in the year to June 30 1997. Its beer sales in the Middle East are currently a "drop in the ocean", the company says.

"This agreement is another example of our core strategy to grow our famous brands worldwide in terms of volume and profit," said Ian Trier, Middle Eastern manager for Guinness.

ABC, which is listed on the *London and Cairo* stock exchanges, is the sole Egyptian brewer with 90 per cent of the alcoholic beer market and 95 per cent of the non-alcoholic market. Last year it sold 10.7m litres of non-alcoholic beer in Egypt, but estimates this could grow to 100m litres within three years.

ABC will have exclusive rights to supply Kaliber to Saudi Arabia, Iran, Sudan, *Yemen, the United Arab Emir*ates, Jordan, Lebanon, Qatar, Oman and Bahrain. The alliance is a key step in its plans to treble sales of non-alcoholic beer in Saudi Arabia. This market, worth $100m a year, is the largest in the world and growing at 33 per cent annually.

Local production of Kaliber will start later this year, allowing Guinness to avoid the 350 per cent import taxes.

Revamped German groups ride high on export boom

By Graham Bowley in Frankfurt

Restructuring and robust exports helped German industrial companies report sharply higher profits yesterday as they responded to buoyant growth in foreign markets and tackled stagnant German demand.

"German companies are benefiting from the strong US dollar and the export boom," said Gerhard Grebe, chief equity strategist at Bank *Julius Baer in Frankfurt.*

Robert Bosch, one of the world's leading car parts and electrical goods groups, which has been bolstered by acquisitions worldwide, reported net income last year of DM1.7bn ($956m) sharply up from DM500m in the previous year. However, Bosch cautioned that profits were boosted by one-off tax effects.

Metallgesellschaft, the German industrial and trading group rescued from near-bankruptcy in 1993, said pre-tax profits rose 18 per cent to DM125.3m in the first half of the current financial year. Its business was strengthened by acquisitions.

Bosch has concentrated on growth in international *markets.*

Sales outside Germany increased 23 per cent last year to DM30.7bn while domestic revenues recorded virtually no growth.

Metallgesellschaft, restructuring after nearly collapsing in 1993 following spectacular losses on US oil derivatives, said it had strengthened all its trading divisions with acquisitions in the first six months. MG is paying its first dividend for five years.

Veba, the energy, chemicals and logistics conglomerate, reported a 57.6 per cent increase in pre-tax profits in the first *quarter, due in large* part to extraordinary income from disposals.

RWE, the Essen-based energy, engineering and chemical group, said group earnings after tax and minority interests increased 9.5 per cent to DM961m in the first nine months.

Result reports, Page 20

INSURANCE DUTCH GROUP LIFTS NET PROFITS GROWTH FORECAST FROM 20% TO 25%

Aegon scotches talk of ABN Amro link-up

By Gordon Cramb in Amsterdam

Aegon, the Dutch insurance group, yesterday scotched persistent market rumours that it was contemplating a merger with ABN Amro, the country's largest bank.

Kees Storm, chairman, told shareholders at the annual meeting: "It is absolutely unnecessary for Aegon to merge with a bank for it to be able to continue successful growth."

Now it ranked among the top 10 insurers worldwide, "we find it more important to be good than to be big for the sake of being big".

He increased the full-year forecast while announcing first-quarter profits at the top end of analysts' expectations. Net earnings soared 61 per cent to Fl 648m ($323m) compared with the three months to March 1997, showing the effect of its Fl 3.6bn acquisition later last year of the insurance operations of Providian in the US.

But Aegon shares slipped Fl 5.10 to Fl 270.30 as Mr Storm made one of the sternest rebuttals of the arguments for combining banks and insurers heard from a European financial services executive since Citicorp and Travelers of the US announced their planned merger.

Describing the discussion that deal had provoked as intriguing, he reminded shareholders that when ING and Fortis developed bancassurance in the Netherlands in the early 1990s, Aegon distanced itself from the concept. That remained its position, he added.

Without the need for a merger, Aegon was successfully bringing banking services to the market, and wanted to sell more of its own products through banks. This was happening in US, Mexican and Dutch operations.

In Europe it has just sold the small FGH Bank but retains Labouchère, an Amsterdam merchant bank. "Asset management forms a logical broadening of our package of services," Mr Storm said.

In the first quarter, the investment return on assets held for the account of policyholders, separate from its own income, jumped to Fl 10.41bn from Fl 1.46bn a year earlier.

Premium income at Fl 7.42bn was up 35 per cent, a rise which without Providian would have been 10 percentage points lower. Investment income rose 58 per cent to Fl 2.82bn.

Excluding Providian and the positive impact from exchange rate movements, internally generated growth still lifted net profits 25 per cent. That matches the total percentage rise which the company is now forecasting for this year as a whole. Previously Aegon had been projecting a 20 per cent earnings increase.

On a per-share basis, it expects earnings to rise 20 per cent rather than the 15 per cent it had indicated before.

PolyGram sits pretty as potential suitors line up

Seagram must keep its nerve as the likelihood grows of a bidding war for the Dutch entertainment group, writes ***Alice Rawsthorn***

When Edgar Bronfman Jr, Seagram chief executive, started talks last Friday to buy PolyGram, the Dutch entertainment group, it looked as though he had a clear run.

A week later, however, the field seems rather crowded.

Two US financial consortia – one composed of Forstmann Little and Thomas H. Lee, the leveraged buy-out funds, and another led by their arch-rival, Donaldson Lufkin & Jenrette – have expressed interest to Philips, the Dutch consumer electronics concern that owns 75 per cent of PolyGram.

Other financial bidders are also understood to be considering entering the fray; as might entertainment groups Walt Disney, of the US, or Germany's Bertelsmann.

Seagram, which is thought to be willing to pay up to $10bn for PolyGram, now faces the prospect of having to fight for the company in a fiercely contested auction.

Why has PolyGram attracted so much attention from prospective suitors in the 10 days since Philips announced it was "evaluating" the future of its majority holding?

The company, which made net income of Fl 787m ($393m) on sales of Fl 11.1bn last year, is undeniably an attractive acquisition.

It owns the world's largest classical music company and rock labels representing such superstar acts as U2, Metallica, Bob Marley, Elton John, Sheryl Crow and Hanson.

Since 1991, it has invested $1.2bn on creating Europe's biggest film production and distribution business with a catalogue of 1,500 pictures including *Bean*, *Fargo* and *The Graduate*.

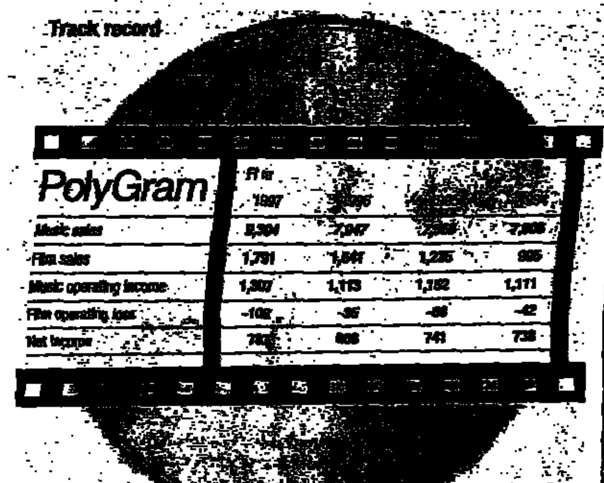
Seagram's interest in PolyGram is easy to understand.

Music has been by far the most successful part of Universal, the US entertainment company it acquired three years ago, and Mr Bronfman is eager to expand that side of the business.

Initially, he set his sights on EMI, the troubled UK music group, but takeover talks foundered last Friday. Mr Bronfman then turned his attention to the bigger, but better managed, PolyGram.

If he pulls off the deal, Seagram could derive significant economies of scale by merging its record labels with PolyGram's, and folding the latter's film division into its Universal Studios subsidiary.

A financial buyer would not have those advantages. If Forstmann/Lee or the DLJ consortium won control, PolyGram would continue as a standalone company at a time when its film division is still in the red and the global music market is dogged by weak demand, increasingly fickle consumer taste, and rising internet piracy.



Fl m	1997	1996	[illegible]	[illegible]
Music sales	8,304	7,947	[illegible]	7,905
Film sales	1,791	1,641	1,225	995
Music operating income	1,307	1,113	1,152	1,171
Film operating loss	-108	-96	-86	-42
Net income	787	808	741	738

Source: company

These problems have taken a toll on PolyGram's recent profits performance. A successful financial bidder would be gambling that the Dutch group could return to more robust growth, in spite of the film losses and the growing pressures on its music business.

The cynical reason why the US funds are willing to run that risk is because they, like their competitors, are awash with cash and hungry for corporate investment opportunities.

They might have bid for EMI, Seagram's former quarry, but the UK group presents a more challenging prospect to a financial buyer.

Racked by turmoil among senior management, it has been far worse affected by the music market's recent difficulties than PolyGram. An established entertainment group, like Seagram, could put its own team in charge of EMI, but an investment consortium might need to find new management.

By contrast, PolyGram could continue under its current regime. The new owner would also have the option of selling the film division, or they could wait for it to break even – as it is expected to do next year, providing that the uncertainty over the group's ownership does not prove too damaging.

Finally, Philips is a willing seller, whereas EMI has flirted with various potential purchasers in recent years – including Disney and Bertelsmann, as well as Seagram – only to fail to agree terms.

A number of US funds are believed to be eyeing EMI, but so far none has emerged as firm bidder. Forstmann/Lee and DLJ are definitely interested in PolyGram; but they, like other funds, often consider making offers only to withdraw.

Seagram must now hold its nerve while waiting to see whether they, or any other bidder, trigger the start of a battle by making a counter offer for PolyGram.

Strong start to year by WestLB

By Andrew Fisher in Düsseldorf

Westdeutsche Landesbank, Germany's biggest public sector bank, made a strong start to the year with a 20 per cent jump in operating profits in the first quarter.

Friedel Neuber, chairman, said he expected the trend to remain positive in 1998, but warned that the first three months could not be taken as an indication of the full-year result.

Mr Neuber attributed the first-quarter advance to higher net interest and commission income, as well as a reduced need for loan-loss provisions.

Last year, the bank provided nearly DM600m ($337m) against risks in Asia, with operating profits after provisions down 8 per cent to DM1.28bn. Net income slid 2 per cent to DM727m.

Describing 1997 as "overall a successful year", Mr Neuber said operating profits before risk provisions rose 7.4 per cent to just over DM2bn. The balance continued to shift towards fee and trading income away from interest income on traditional lending, though this was still dominant.

Net commission income rose 21 per cent to DM1.99bn. This was the result of increased equities business, as well as improved profits from West Merchant Bank, the London-based investment banking operation, and Thomas Cook, the tourism subsidiary.

Financial trading profits were 34 per cent higher at DM569m, mainly reflecting stronger equities and foreign exchange performance. Net interest income rose 12 per cent to DM4.39bn.

Commenting on structural changes in German banking, Mr Neuber said WestLB would be ready to hold talks with Landesbank Hessen-Thüringen (Helaba) if asked. Helaba, based in Frankfurt, is studying whether to seek a partner, with WestLB and Bayerische Landesbank regarded as likely candidates.

However, he recalled that a previous merger attempt with Helaba – then covering only Hesse and not the east German state of Thuringia – foundered 10 years ago. He said the best solution to the cost and competition challenges facing public-sector banks was the preservation of separate regional units which co-operated in various ways.

Mr Neuber also criticised the private-sector banks' complaint against WestLB over the terms of a capital injection in 1992 through the integration of housing development funds, calling this "not very productive".

The matter is now being studied by the European Commission but Mr Neuber said he was confident about the outcome. Private-sector banks claim the capital injection amounted to unlawful state aid, which WestLB denies.

Fortis-Générale deal to trigger shake-up

By Neil Buckley in Brussels

The planned merger of Fortis and Générale de Banque will lead to a broader shake-up of the structure of the Belgo-Dutch financial services group, creating a Belgium-based banking arm and Netherlands-based insurance arm, Fortis's co-chairman said yesterday.

Maurice Lippens also confirmed that Générale de Banque, Belgium's biggest, was likely to lose its stock market listing in the tie-up.

The bank had wanted to retain its Brussels bourse quotation.

Fortis is expected to announce a share exchange offer for all of Générale once both sides have reviewed each other's books.

A tie-up – creating a $30bn-plus business that would be among Europe's top 10 financial institutions – was approved unanimously by Générale's directors on Tuesday, a week after a meeting found only one-third of directors in favour.

Mr Lippens told the Financial Times that Fortis, created in 1990 through the alliance of the insurance businesses AG of Belgium and Amev of the Netherlands, would have to modify its structure to take account of its new size.

It has maintained a dual structure, with boards in Belgium and the Netherlands, plus a mixed supervisory board, but Mr Lippens said work would begin after the Générale merger on creating a simpler group.

"We will have one integrated banking pole, and one insurance pole – a banking business based in Belgium and an insurance business based in Holland," Mr Lippens said.

"We will really put a much more transparent structure in place. But we would have at the top one board with Belgian and Dutch directors on it. The decision power will still be Belgo-Dutch."

The company's dual Brussels and Amsterdam listings would be unaffected.

Under this week's agreement, Générale would be the "parent", responsible for integrating Fortis's existing banks – CGER-ASLK, Belgium's fourth-biggest, and MeesPierson and VSB in the Netherlands.

Unions have warned of thousands of job losses, particularly from integration of Générale and CGER. But Mr Lippens pledged that there would be no compulsory redundancies.

Philippe Maystadt, Belgium's finance minister, also said yesterday he had assurances that there would be no "social bloodbath".

Chinese coal group to treble output

By James Kynge in Beijing

Inner Mongolia Yitai Coal, one of China's largest coal mining groups, is to treble output this year to maintain profits in spite of oversupply and plunging prices.

Zhang Shuangwang, president and general manager, said yesterday that prices of just over half the coal sold by the company had dropped by up to 25 per cent since late last year. The other half is sold at fixed prices to long-term customers.

"A situation of price deflation has emerged in the coal industry. Competitors are successively pushing the prices down," said Mr Zhang. "This is a heavy blow for the industry but it is difficult to see how it can be stopped."

Yitai's profit levels may be maintained, Mr Zhang said, by increasing production at its mines in Inner Mongolia from 530,000 tonnes last year to 1.5m tonnes this year.

Source: Company

Total sales, which include coal bought from smaller Inner Mongolian mines under a monopolistic arrangement, may climb from 2.56m tonnes last year to 4.15m tonnes this year.

Industry analysts said that Yitai's strategy risked exacerbating the oversupply of coal and driving prices down further. But Mr Zhang said extra sales would be achieved through new sales offices in relatively robust areas of China such as the provinces of Fujian, Zhejiang and Jiangsu.

"We are now selling directly to anyone who wants coal, even on short-term contracts," said Mr Zhang. In the past, most coal was sold on long-term contracts to established customers.

The first-quarter output of coal, which accounts for 75 per cent of China's primary energy consumption, slumped 13.9 per cent this year. The reasons are partly structural: many of the state-owned enterprises that still dominate heavy industry are undergoing sale, merger or restructuring as part of the nation's ambitious reforms. During this period, they have halted or slashed the output of goods, many of which are already oversupplied.

Mr Zhang said he believed the phase of falling coal prices would be temporary. "Zhu Rongji [the premier] has said that GDP growth will be 8 per cent this year. He has taken responsibility, so I believe 8 per cent will be achieved," he said.

Nevertheless, many among the country's 105 smaller state coal mines may fail this year and next, said Mr Zhang. Yitai has adopted a cautious approach to acquiring any of them because they are generally overstaffed, heavily in debt and remote.

Yitai's net profit in 1998 would be about RMB127m ($15.3m), against RMB115m last year, said Mr Zhang. The rise would represent a sharp slowdown in profit growth – the company made RMB71.4m profit in 1996.

Yitai listed 168m hard currency B shares on the Shanghai stock exchange last year. It would use some of the remaining proceeds of the listing, as well as some of its internal resources, to upgrade the company's transport capabilities, Mr Zhang said.

Total fixed asset investment this year would be about RMB200m, up from an actual RMB130m last year, he said.

Overseas operations buoy Toray

By Alexandra Harney in Tokyo

A strong performance overseas helped Toray Industries, one of the world's largest manufacturers of synthetic fibre, increase consolidated group net earnings 6.3 per cent to Y24.7bn ($184m) last year.

Brisk sales in south-east Asia and strong results in Europe and the US offset a sluggish domestic market for the Japanese company.

Operating profits were flat at Y71.9bn on sales up 3.9 per cent at Y1,087bn.

Pre-tax profits, excluding exceptionals, increased by 6.6 per cent to Y60bn.

Toray predicted consolidated net income this year would rise to Y26bn on sales of Y1,140bn. The board recommended the year-end dividend should be held at Y3.5 a share.

Investors reacted cautiously, with Toray's shares down Y3 at Y700. Analysts were pessimistic about the company's prospects, given the downturn in the domestic textile market and competitive conditions in the chemical sector. In particular, the prospects for Toray's carbon fibre and chemical arms were grim, they said.

Toray's overseas sales might have allowed the company to compensate for weak domestic demand in the short-term, but would probably dent profitability in the long-term, said Takato Watabe, senior analyst at Daiwa Securities.

Despite the regional economic crisis, subsidiaries in Asia generated operating profits of Y11.4bn on sales of Y112.7bn. Other overseas operations achieved operating profits of Y15.8bn on turnover of Y123.9bn.

The company said conditions in Japan had caused a prolonged slump in consumer spending and private-sector capital investment. This had created an overwhelmingly harsh domestic environment.

Despite the outlook, the company planned to continue investing overseas. Its aggressive capital spending programme has been of concern to investors because of the potential low return.

The plastics and chemicals division achieved operating profits of Y26.7bn on sales up 6.5 per cent at Y300bn. The fibres and textiles operations posted operating profits of Y28.1bn on flat turnover of Y487bn.

NEWS DIGEST

BANKING

Deutsche Postbank upbeat after return to profit

Deutsche Postbank, the German postal bank being prepared for privatisation, forecast net profits of DM400m ($225m) after tax this year after turning a heavy net loss in 1996 into a small net profit last year. The bank said it set aside more than DM1.5bn in provisions, before and after last year's operating profits, to free itself of structural burdens in the future. "With last year's results, Postbank has cleaned up its balance sheet ready for privatisation," Dieter Boening, chief executive, said yesterday.

Postbank said group operating profit, after DM990m provisions for loan losses and other risks, increased from DM38m in 1996 to DM1.06bn last year. After further provisions for pension liabilities and the financial consequences of its cooperation agreement with Deutsche Post, the German postal system, Postbank reported that its DM1.26bn net loss after tax in 1996 turned into a DM27m net profit after tax last year.

The bank said assets increased 4.4 per cent to DM111.45bn last year. Growth in telephone and online banking meant Postbank could maintain its leading position in the German direct banking market. **Peter Norman, Bonn**

INVESTMENT BANKING

Paribas sells Russian stake

Paribas, of France, has sold its 25 per cent share in the United Financial Group, a Russian brokerage and investment bank that it helped establish in 1994, to the management of UFG. The move, which a member of UFG called an "amicable divorce", ends Paribas' involvement in the company, one of Moscow's fast-expanding investment banks.

Boris Fyodorov, former Russian minister of finance and founder of UFG, said there had been differences in strategy that began to hinder the bank's development. He said Paribas had begun using its shareholding as a blocking power. "Our strategy was to become a fully integrated Russian bank; they wanted us to be an offshoot of them," he said.

Mr Fyorodov said Paribas had wanted to buy a majority stake in UFG, but UFG decided to go on alone. The bank may later look for a partner to take a 10 per cent share, he added. "There is a place for the smaller investment bank."

UFG, which unusually for a Russian bank has an American chief executive and a high ratio of foreign employees, has developed its asset management arm. Its clients include Gazprom and Sberbank. **Carlotta Gall, Moscow**

POLISH PRIVATISATION

Go-ahead for refinery sell-offs

The Polish government yesterday approved a privatisation plan for the country's oil refineries which will involve the sale of the Gdansk refinery to a strategic investor towards the end of this year.

The plan also foresees the public flotation early next year of the Plock refinery, which is to be merged with the state-owned CPN petrol distribution network. Plock has a refining capacity of 13m tonnes, while Gdansk has an annual capacity of 3m tonnes. Gdansk is to be handed about 200 of CPN's petrol stations before the privatisation.

The privatisation strategy, devised by Dresdner Kleinwort Benson, marks a departure from previous proposals for Plock to be sold to a strategic investor. DKB argued that revenues from a public offer for Plock would be higher than those likely to be paid by a strategic investor.
Christopher Bobinski, Warsaw

FASHION

Gucci to buy out Korean chain

Gucci, the Italian fashion group, has agreed terms to buy out its Korean franchisee. It has acquired 100 per cent of the Gucci business belonging to Sung Joo International, which includes nine shops and a recently opened 5,000 sq ft flagship store in the Chung Dam area of Seoul.

Until recently, Korea was a fast-growing market for Gucci and other Western luxury brands, but sales have slowed since last autumn's Asian stock market collapse. The acquisition of the Korean franchisee, following the buy-out last month of Gucci's Taiwanese franchise holder, forms part of the Italian company's long-term strategy of securing control of its interests in anticipation of the Asian market's recovery.
Alice Rawsthorn

TOBACCO

Paris continues Seita sale

The French government has sold a further 5.3 per cent stake in Seita, the tobacco group, in a deal with Deutsche Morgan Grenfell, the investment bank. DMG pipped other investment banks for the stake after the Treasury invited bids late on Tuesday, paying an undisclosed price per share for just over 2.7m Seita shares, which it sold yesterday to European and US investors at FFr273.5 a share, valuing the transaction at FFr746m.

That represented a discount of 0.73 per cent to the closing price of FFr275.5 for Seita shares on Wednesday. Bankers said more than 75 per cent of the shares had been sold to investors in Europe by early afternoon yesterday, and DMG later announced that the transaction had closed.

Following the disposal, the French state still holds a residual stake of about 5 per cent in Seita, which was privatised in early 1995. Seita shares closed at FFr274.3 in Paris yesterday, down FFr1.20. **Vincent Boland**

VENEZUELA

Oil consortium seeks $2.8bn

An international consortium made up of Petróleos de Venezuela (PDVSA), the state oil company, Total, the French oil company, and Norsk Hydro, the Norwegian energy group, is requesting bids from investment banks to finance a $2.8bn heavy crude oil project in eastern Venezuela.

The Sincor consortium is seeking proposals by next week on loans totalling $1.68bn and a $1.12bn bond offering. PDVSA itself is acting as global co-ordinator and has asked each bank to bid on loan tranches of $200m and $80m respectively. However, "they may well end up hiring a lead manager anyhow," said a person close to the transaction.

The bonds are expected to receive investment-grade credit ratings similar to last year's benchmark $1bn bond issue and $450m bank-loan for Petrozuata, a heavy crude oil project between PDVSA and Conoco, the US oil company.

The project's financing comes as more Venezuelan long-term debt is hitting the market. This week PDVSA closed a $1.8bn five-tranche bond priced at 88-165 basis points over US Treasuries. Fertinitro, an international joint venture lead by PDVSA's petrochemical subsidiary, Pequiven, placed a $250m bond in late April.

Three other multi-billion dollar heavy crude oil projects seeking finance are also in the pipeline.
Raymond Colitt, Caracas

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JAPAN LIFE ASSURANCE ASSOCIATION TODAY APPROVES US GROUP'S BID TO CONTROL AOBA

AIG set to buy Nissan Mutual operations

By Gillian Tett in Tokyo

American Insurance Group is poised to receive permission today to purchase the operations of Nissan Mutual, the Japanese life group that collapsed last year.

A meeting of the Japanese Life Assurance Association will today approve AIG's application to assume control of Aoba, a company set up to manage Nissan Mutual's assets.

AIG has not yet made any formal commitment to complete the deal which is unlikely to be finalised until due diligence has been conducted this summer.

It refused to comment yesterday. However, the move illustrates the inroads foreign companies are making into Japan's life assurance sector as Big Bang financial deregulation proceeds.

AIG and the life assurance industry have not yet indicated the price of any possible deal. Industry observers suspect it will be relatively favourable for AIG, as the Ministry of Finance is keen to resolve the problems created for the industry after Nissan Mutual collapsed.

The failure of Nissan Mutual sent shockwaves through the sector because it was the first life assurance company to collapse since the second world war.

Last year the life assurance association established Aoba to manage the assets of Nissan Mutual and the rest of the industry made some contributions to it. However, Aoba has remained plagued with difficulties and no Japanese company has expressed any interest in absorbing the group.

Some life assurance companies have opposed AIG taking over Aoba, arguing that it was unfair for the US group to benefit from the efforts that Japanese companies had made to salvage Nissan Mutual's business.

AIG is understood to have pledged to improve Aoba's management and protect its policyholders.

The group already has a range of insurance operations in Japan, each run as an independent entity.

Alico, its life assurance arm, for example, had coverage exceeding Y10,000bn ($74.6bn) in 1996, making it the largest foreign life assurer in Japan.

GE Capital, the US financial services group, has effectively purchased the new business operations of Toho Mutual, another troubled life insurance group.

It recently established a joint venture with Toho to manage the group's new business and be 90 per cent controlled by GE Capital.

Koreans set their sights high with $30bn asset sale

Analysts say chaebol are demanding too much from foreign investors, writes **John Burton**

Eye for a bargain: Japanese businessmen visit an exhibition of Daewoo cars while seeking investment opportunities in Korea   Reuters

It is South Korea's $30bn challenge. That is the amount the nation's six leading conglomerates – Samsung, Hyundai, LG, Daewoo, SK and Ssangyong – are hoping to raise through asset sales to foreign investors to reduce mountains of corporate debt by 2000.

The conglomerates, or *chaebol*, are optimistic the goal will be achieved. Hundreds of foreign businessmen have crowded into Seoul hotels looking to gain a foothold through mergers and acquisitions in the highly protected market.

There are already been a few success stories. Volvo recently concluded a $572m deal to buy the construction equipment division of the highly indebted Samsung Heavy Industries. Coca-Cola last year acquired the bottling facilities of the Doosan group for nearly $500m, while Procter & Gamble took over Ssangyong's paper subsidiary for $350m.

But there are reasons for scepticism about the *chaebol's* restructuring plans, which are short on details. Analysts say the *chaebol* are over-optimistic in the amount of capital they expect from foreign investors, who are cautious in buying Korean assets because of potential labour unrest, undisclosed debt problems, poor accounting practices, and legal and regulatory obstacles.

"The *chaebol* are demanding too much money for their assets," says a senior presidential adviser, particularly when property and share prices are falling.

Most analysts believe foreign investors will take a wait-and-see attitude until the Korean recession begins to bite and asset prices hit bottom.

The *chaebol* are also hoping to get capital infusions by offering foreign companies up to half of core businesses. But overseas investors are expected to demand a large say in management, which the *chaebol's* autocratic family owners are likely to reject.

This has raised doubts about Daewoo's proposal to sell half of its car company to General Motors, while the government said talks on an equity stake by Intel in Samsung Electronics had hit a snag for similar reasons.

Moreover, the government plans to raise $10bn this year through the privatisation of some leading and profitable state companies, including Korea Electric Power and Korea Tobacco. This could divert foreign funds from acquisitions in the private sector.

Nonetheless, foreign investors are likely to conduct takeovers in three areas: joint ventures, overseas assets and main businesses of smaller and more vulnerable *chaebol*.

Yun Hyunsoo, president of Comet M&A, a Seoul consultancy, predicts most takeover activity this year will occur among joint ventures, because foreign companies are already familiar with their operations and there is less need for a lengthy due diligence process.

BASF, the German chemicals group, recently bought out its Korean partners, Hanhwa and Hyosung, in joint ventures. The German car parts maker Bosch has acquired its joint venture from Mando Machinery, while Samsung has offered to sell its stakes in two electronics joint ventures to foreign partners, Hewlett-Packard and General Electric.

Overseas assets acquired by the *chaebol* in an investment boom in the mid-1990s are also expected to attract foreign buyers because they have few of the problems, such as labour troubles and regulatory obstacles, associated with business in Korea.

The biggest overseas deal has been a $775m sale by Hyundai Electronics of its US non-memory chip subsidiary, Symbosis Logic, to finance the completion of a $1.3bn memory chip plant in Oregon that opened this week.

Daewoo sold a 40 per cent stake in the Kazakhstan telecoms monopoly for $150m. Ssangyong raised $150m for two hotels and a cement plant in California.

Korea's smaller *chaebol* have taken more drastic actions in restructuring than the bigger groups as they are vulnerable to bankruptcy because of a heavy dependence on a weak domestic market.

Doosan has sold its joint ventures with Nestlé, 3M and Kodak and is negotiating to sell up to half of its main brewery and liquor businesses to Interbrew of Belgium and Seagram of Canada.

The Hanhwa energy group is offering to sell a power plant and a network of petrol stations. Daesang recently sold its lysine division, one of its most profitable businesses, to BASF for $600m.

Analysts say the big conglomerates might have to follow their smaller rivals and sacrifice some industrial crown jewels if the restructuring plans are to succeed.

NEWS DIGEST

TELECOMMUNICATIONS

KDD to begin services to the US, UK and Germany

KDD, Japan's largest international telecommunications operator, is to become the first Asian operator to offer domestic and international services in the US, the UK and Germany when it begins services in those countries from next month. The expansion came in the wake of deregulation measures introduced in February in line with a World Trade Organisation agreement on telecoms liberalisation, KDD said.

The Japanese company, which faces intensifying competition in its core market, will offer long-distance domestic services in the US at 80 per cent of the average rates charged by AT&T. In the UK, rates will be set at 70 per cent of those of BT, and in Germany rates for corporate customers will be set at half of those of Deutsche Telekom.

KDD faces growing competition in its key market for international calls with the entry of NTT, Japan's telecoms giant which was previously restricted to domestic services. It expects its new services overseas to be used mainly by Japanese companies and forecasts revenues from the services to total Y20bn ($149m) in 1999. **Michiyo Nakamoto, Tokyo**

JAPAN

DDI more than doubles

DDI, one of Japan's largest telecommunications groups, yesterday reported a surge in group profits, helped by an increase in cellular and personal handy phone (PHS) subscriptions, as well as growth in new data transmission services.

Recurring profits in the year to March 1998 more than doubled from Y21.4bn to Y52.2bn ($389m) on sales 16 per cent higher at Y1,178.3bn. Net profits were Y8.3bn, compared with a net loss of Y26.2bn.

The better results came in spite of a sharp deterioration in core long-distance telecoms business, which has been hit by falling rates, and fierce domestic competition. On a parent basis, DDI suffered a 4 per cent fall in sales to Y535.9bn and a 42 per cent decline in recurring profits to Y39.5bn. Net profits were 37 per cent down at Y23.7bn.

The downturn in core business reflects the intense competition in Japan's domestic long-distance market where companies have had to lower rates to compete. DDI had cut its rates twice and the combined impact was Y30bn, the company said.

The profitability of the core business was affected by higher operating costs because of an increase in commissions related to increased marketing efforts. As a result, subscriber numbers had increased from 15m last March to 16.3m at the end of this March, DDI said. The cellular phone business also increased recurring profits from Y33.2bn to Y37.5bn; the number of subscribers rose about 26 per cent.

Elsewhere, DDI was able to reduce its losses in the PHS business as a result of lower churn. DDI Pocket, its PHS company, reduced recurring losses from Y75.68bn to Y18.1bn. The improvement reflected moves by the company to reduce commissions paid to retailers to offer PHS phones for free. The unit forecasts recurring profits of Y2bn this year.

DDI expects sales this year to increase 8 per cent to Y1,271bn, but recurring profits to fall 28 per cent to Y37.5bn, largely because of the impact of rate declines in the long-distance market. Net profits will rise 56 per cent to Y13bn. **Michiyo Nakamoto**

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COMPANIES & FINANCE: INTERNATIONAL

TELECOMMUNICATIONS US GROUPS EXPECT DEAL TO BE COMPLETED BY AUTUMN

WorldCom, MCI merger on track

By Michael Smith in Brussels

Telecommunications companies WorldCom and MCI said yesterday they expected to implement their planned merger before the autumn and that it was unlikely regulators would place "onerous conditions" on them.

Senior executives of the two companies were speaking at the conclusion of two days of regulatory hearings in Brussels where the European Commission is investigating the merger amid claims the alliance would restrict competition in the supply of internet services.

Although WorldCom and MCI are both based in the US, they need regulatory approval from the authorities in Europe, where they have a large business, employing 3,000 people.

The companies' rivals, including GTE, charge that the business created by the $37bn merger would supply between 40 and 60 per cent of the internet backbone, the trunk network over which internet service providers transmit information.

However, WorldCom and MCI say that the best measure of internet access share is revenues and on this basis they have between 19 per cent and 21 per cent worldwide, less in Europe.

John Sidgmore, WorldCom chief operations officer, was unable to discuss the hearings in detail but said he did not think the companies lost ground.

"We think we will be merged before the end of the summer."

However, GTE, whose representatives attended the hearings, said it was pleased with the proceedings and that it was confident the antitrust authorities would conclude the merger was anti-competitive.

The European Commission has been co-operating closely with the US justice department to try to avoid conflicting conclusions on the merger.

It has until mid-July to make a decision under an EU timetable; the US investigation has no formal deadline.

Brussels rarely rules against mergers, although it sometimes orders divestments of parts of businesses as a condition of approval.

However, MCI and WorldCom argue that their market share is low and falling in Europe, and that competition is growing – particularly from the large established telecoms operators.

Fred Biggs, MCI chief engineering officer, said: "There are no customers, no true users, who came out against the merger."

Teleglobe enters retail telephony

By Edward Alden in Toronto

Teleglobe, the Canadian international network operator, announced yesterday it was moving for the first time into retail telephone services, a decision that will place it in direct competition with Bell Canada, its largest shareholder.

The move comes as the company is about to lose its 50-year monopoly on all overseas traffic in October, after a government decision to open the Canadian market to competition.

Teleglobe also said strong growth in international traffic from the US and Europe helped lift profits 49 per cent in the first quarter.

The outcome was spurred by a 36 per cent rise in total traffic volume, led by voice telephony and high-speed internet access outside Canada. Teleglobe has focused on expanding in the US and Europe. While revenue from outbound Canadian calls dipped slightly from the first quarter of 1997, revenues from global operations rose from C$136m to C$233m (US$161.5m).

Imtiaz Khan, analyst with Research Capital Corporation in Toronto, said Teleglobe had adjusted better to the loss of its monopoly better than any other carrier in the world.

Revenues from the US increased from just 4 per cent of total revenues to 14 per cent. Total revenues rose from C$423m to C$533m. Earnings per share rose from 40 cents to 57 cents.

Charles Sirois, chairman and chief executive, told yesterday's annual meeting that the company's strategy was to be among the top three in the international telecoms market, taking advantage of opportunities opened up by last year's World Trade Organisation agreement.

Teleglobe's market capitalisation has risen from C$640m in 1992 to C$4.4bn. The company's shares rose C$2.50 to C$69 in early trading yesterday.

Disposals spark sharp first-term rise at Veba

By Peter Norman in Bonn

Ulrich Hartmann: plans to employ at least another 15,000 people

Disposals triggered a 57.6 per cent increase in first quarter pre-tax earnings at Veba, the Düsseldorf-based energy, chemicals and logistics conglomerate, to DM1.81bn ($1.02bn). Turnover was up 2.2 per cent to DM20.04bn.

Sales of Veba's stake in Hapag Lloyd, the travel group, and the polystyrene activities of its Hüls chemical unit produced an extraordinary gain of DM626m. After tax and minority interests, net earnings rose 61.6 per cent to DM905m.

Veba said that without the disposals, pre-tax earnings rose 3.1 per cent and turnover would have risen by about 5.4 per cent.

The company reported problems in its silicon wafer business, where the earnings position "deteriorated considerably" and Hüls's MEMC subsidiary reported a "markedly higher loss".

The group said its goal was a double digit percentage increase in earnings this year but warned MEMC's wafer business was a factor leading to uncertainty.

Although group employment fell by 4,934 to 125,026 in the quarter, Ulrich Hartmann, chairman and chief executive, told yesterday's annual meeting that Veba planned to add at least 15,000 jobs in the years ahead, with a "significant proportion" in Germany, mainly in telecommunications.

Group investments fell from DM1.91bn in the 1997 first quarter to DM1.23bn in the reporting period. While spending on fixed assets rose DM25m to DM956m, financial investments fell from DM980m to DM278m.

● **RWE**, the Essen-based energy, engineering and chemical group, forecast higher net earnings for its 1997-98 business year to June 30 after reporting that group earnings, after tax and minority interests, increased by 9.5 per cent to DM961m in the first nine months.

Group sales to third parties increased by 2.1 per cent to DM54bn in the nine months. Turnover abroad jumped by 21.9 per cent while domestic sales fell 2.3 per cent, with the result that the share of sales abroad increased from 18.1 per cent of turnover to 21.6 per cent.

Growth outside Germany helps Bosch to treble

By Graham Bowley in Frankfurt

Robert Bosch, one of the world's leading car parts and electrical goods groups, trebled net profits last year but warned that profits were exaggerated by special tax effects.

The Stuttgart-based group, which has strengthened its internationalisation through world-wide acquisitions, said strong growth outside Germany was the main engine of expansion last year.

Sales increased 14 per cent to DM46.9bn ($26.4bn), because of robust growth in its car parts business, its biggest division.

Net income was DM1.66bn, up from DM500m in the previous year.

But Bosch said tax changes had forced it to liquidate reserves which had added to profits. It had paid out a special dividend to shareholders and then claimed the payment back through a capital increase which had tax benefits.

Bosch said the effects of the Asian crisis still remained a concern although it had little impact on growth last year. In 1997 Bosch had Asian sales of DM2.9bn, 15 per cent more than in the previous year.

The recovery at Metallgesellschaft, the German industrial and trading group, continued in the first six months with pre-tax income increasing 18 per cent to DM125m. Sales rose to DM9bn.

"Plant engineering and chemicals again made the highest contribution to the result. MG has grown much faster than the growth markets in which it is active," Kajo Neukirchen, chairman, said.

Mr Neukirchen said MG, which was rescued from bankruptcy earlier this decade, would increase its return on equity to 13 per cent this year from around 12.1 per cent last year. The group's long-term target was for a return of 14 per cent.

MG, which has strengthened its business through a series of acquisitions, was open to further purchases, Mr Neukirchen said. In particular, he was closely monitoring the market to add to the group's Lurgi engineering division, he said.

The group's life sciences activities would contribute more than DM700m to the company's sales in the next fiscal year.

Compaq to use Windows CE in new products

By Paul Taylor

Compaq Computer, the world's biggest personal computer manufacturer, plans to use Microsoft's Windows CE operating system to develop new products aimed at new market segments, according to Andreas Barth, general manager of Compaq's European operations.

These segments include the emerging market for domestic "information appliances", set-top boxes and games consoles.

"As the leader in the home PC space, we cannot afford to ignore this market," said Mr Barth, adding, "You will see a number of initiatives from Compaq very soon."

Mr Barth was speaking in Paris at a conference organised by Microsoft to outline its strategy for Windows CE, the group's software operating system aimed at the handheld computer, embedded systems and automotive markets.

Compaq used the event to launch its new handheld PCs in Europe. The three new machines, which will be available in Europe next month priced from $869, all run Microsoft's Windows CE 2.0 operating system and are targeted at mobile business users. "The Compaq C-Series handheld PC is an integral part of our overall strategy to deliver total computing solutions across the entire enterprise – from small to medium-sized businesses to large corporate customers," Mr Barth said.

He made it clear Compaq intended to extend the use of the PC at work and "at play" by using Windows CE to provide a familiar interface to a wide variety of electronic devices, including those designed to access the internet.

"We led the way with sub-$1,000 PCs and the next thing will be intelligent devices costing $499, $399 or $299," he said.

Compaq did not have products to launch at the moment. "The market is not ready," he said, although he expected that by 2005 the market would be split 50:50 between traditional PCs and devices used to access the internet such as NetTVs, smart handheld machines and screenphones.

Mr Barth confirmed the strength of the European PC market in the first quarter.

"It has become the fastest-growing PC market anywhere in the world," he said.

HP shares tumble on warning

By Paul Taylor

Technology shares in the US and elsewhere were jolted yesterday after Hewlett-Packard's surprise warning late on Wednesday that its second-quarter earnings, due today, would fall "well short" of most forecasts.

The company blamed pricing pressures in the personal computer market and economic weakness in Asia.

Shares in HP were trading at $70⅝, down $11½, at mid-session.

HP, the world's second biggest computer group, said earnings were expected to be 65 cents a share, compared with 75 cents a share a year earlier when the group reported net earnings of $784m. Analysts had been expecting 77 cents a share.

"While we did achieve good revenue and order growth this quarter, we are disappointed that our early calculations show earnings per share coming in well short of expectations," said Lewis Platt, chairman.

HP said its product mix, as well as pricing pressures in the PC business were significant factors in the shortfall.

The warning has highlighted the continuing confusion in the US PC industry, which has been dogged by a series of warnings from companies such as Intel, the world's largest chip maker, and Compaq Computer, the leading PC manufacturer.

Companies have cited a number of factors including the rapid growth of the sub-$1,000 PC sector in the US, oversupply in the retail networks and slowing growth in domestic PC sales. The price war in the fast-moving consumer segment of the PC market appears to have hurt US PC makers in particular.

Most analysts had assumed that HP was an exception and would be cushioned against the turmoil in the low end of the PC market by its sales of relatively high-margin corporate PCs and servers, and its extensive printer business. Earlier this week several Wall Street analysts made positive comments on HP and CSFB upgraded the shares.

However, HP has been pushing aggressively into the high-volume, low-margin consumer PC business over the past year and is now more exposed to this more volatile sector of the market.

Steve Pavlovich, HP's head of investor relations, said: "Obviously no one was expecting stellar results, but we thought break-even was possible." The company was competing with "fire-sale" prices offered by competitors and expected some of these problems to last into the third quarter.

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Miller's Brazil venture approved

By Jonathan Wheatley in São Paulo

Miller Brewing, of the US, and Brahma, the Brazilian brewer, have received the go-ahead for a joint venture formed in 1995 to brew and sell Miller's Genuine Draft beer in Brazil, following an appeal against an order to dissolve the deal last year.

The decision follows a successful appeal last December by Anheuser-Busch, of the US, and Brazil's Antarctica against an order to dissolve their venture, also formed in 1995, to market Anheuser's Budweiser in Brazil.

Both deals were approved with conditions. Brazil's antitrust authority, Cade, ordered Brahma to open contracts to provide bottling facilities to one small Brazilian brewer and technical assistance to three "microbreweries".

In its December ruling, Cade ordered Anheuser to raise its stake in Antarctica from 5 per cent to 29.7 per cent by 2002 at a cost of $476m. The money would form part of a five-year investment of about $1bn.

Pedro Dutra, a lawyer acting for Brahma, said the conditions were agreed in talks with Cade before its ruling late on Wednesday.

"Brahma argued the joint venture should be approved without conditions, but it recognised the need to find a solution. Miller has not had to pay a toll to enter Brazil, which was the case with Anheuser-Busch and Antarctica," Mr Dutra said.

By making Brahma share facilities and expertise with potential competitors, however, Cade had imposed tougher conditions than those applying to Anheuser and Antarctica, according to Andrea Teixeira of Bozano Simonsen, a Rio de Janeiro investment bank. "Anheuser had already planned to make investments," she said. "It would have been better to make Miller invest more in Brahma."

Miller and Brahma plan to invest about $50m in the joint venture in its first five years. Brahma has almost half of the Brazilian beer market, of about 80m hectolitres last year. Miller's Genuine Draft accounts for less than 1 per cent of its sales.

Brazil's beer market is the biggest in the region, but per capita consumption is below that of many of its neighbours.

Santander to buy second Chile pension fund manager

By Imogen Mark in Santiago and Tom Burns in Madrid

Banco Santander is to buy a second private pension fund manager in Chile in a deal that should ensure the Spanish financial services group survives in an industry where economies of scale have become vital.

The group's Chilean executives confirmed on Wednesday they had agreed to buy AFP Summa, Chile's sixth-ranked pension fund with about 217,000 paying accounts and assets under management of $2.23bn. When merged with AFP Bansander, its own smaller pension fund, the group will have 311,000 paying accounts, and will manage total assets of $3.7bn, making it the fifth largest AFP with a 12.4 per cent share of the market.

Provided the regulatory board approves the merger, which is likely, Santander will have passed the break-even number of 300,000 paying accounts, the minimum for an economically viable operation in the Chilean market, according to Henry Rudnik, analyst at CB Capitales.

Santander, which operates the largest foreign banking franchise in Latin America, has agreed to pay $105m for AFP Summa to the Matte and Angelini conglomerates, its local owners.

The Spaniards are also paying $80m for Seguros El Roble, a life insurance company, also owned by the Matte and Angelini interests.

Santander's purchase of Summa makes sense on its own terms, market analysts agree. But it was also keen to take the Summa-El Roble package to block the possible entry into the Chilean financial services market of its arch-rival, Banco Bilbao Vizcaya. BBV has been looking for a vehicle into the Chilean market.

Ford denies plans for sale of remaining Hertz stake

By Nikki Tait in Cincinnati

Ford, the second largest US carmaker, denied yesterday it had plans to spin off its remaining stake in Hertz, the car rental company.

It holds a 19 per cent interest, after floating about one-fifth of the shares last year as part of a disposal of non-core assets. Other operations sold include the Budget rental car business, the heavy truck business, and Associates First Capital, spun off to shareholders this year.

But Alex Trotman, Ford chairman, was reticent about possible plans for a share buy-back scheme – an issue Wall Street analysts have been watching closely. He told shareholders at the annual meeting in Cincinnati that the company frequently reviewed shareholder value issues and added: "I can't predict what the board will decide."

Ford has previously suggested that any buy-back was unlikely before the spin-off of Associates First Capital was complete.

Commenting on the proposed $34bn merger between Germany's Daimler-Benz and Chrysler, Ford's smaller rival in the US, Mr Trotman said he believed the deal would "increase the competitive dynamic" in the sector, although he added the company was not surprised that consolidation was hastening.

"Anything's on the table," he said, adding that Ford had "not been asleep at the switch" and was itself "considering all sorts of options".

However, Mr Trotman downplayed the likelihood of a dramatic change to Ford's basic structure within the next few years. He added that the one market where Ford lacked a significant presence was Japan "which I would hope we could correct".

Pearson would retain S&S education side

By John Gapper in London and William Lewis in New York

Pearson, the media company that owns the Financial Times, would retain the educational publishing operations of Simon & Schuster and sell on its reference and business and professional arms if it won an auction for the publisher, it has emerged.

Under an agreement with Hicks, Muse, Tate & Furst, the investment fund, Pearson would keep the parts of Simon & Schuster that fit with its Addison-Wesley Longman publishing division, and transfer the other operations to Hicks Muse.

The Pearson bid is among three for the operations being sold by Viacom.

The other bidders are Kohlberg Kravis Roberts, the buy-out fund, and Knowledge Universe, a company controlled by Michael Milken, the former high-yield bond trader.

UK analysts said they believed that Pearson could enhance earnings if it paid between $3bn and $3.5bn (£2.09bn) for the Simon & Schuster educational publishing operations, as part of a bid involving Hicks Muse of $4.5bn for all the divisions.

Pearson is thought to have been determined only to have offered a price that it could demonstrate would enhance earnings in the first year by a significant margin. This would allow it room for manoeuvre in case of unexpected problems.

This would be helped, analysts said, if Pearson could structure any agreement as a purchase of assets rather than an acquisition of a company under US tax law, allowing it to offset a possible $2.5bn of goodwill against its US tax liabilities.

Richard Dale, an analyst at Salomon Smith Barney, the investment bank, said Pearson was likely to incur interest payments of between $240m and $270m per year following a debt-financed acquisition of the Simon & Schuster operations.

Although this could reduce pre-tax earnings by between $20m and $50m per year, its earnings could be enhanced if it structured the deal in a tax-efficient manner, and raised margins within Addison Wesley to Simon & Schuster's level.

Analysts said that although Pearson might have been able to buy all five divisions on sale itself, it would have had to sell the non-education operations within a reasonable time in order to restore an acceptable level of interest cover.

Pearson and Viacom declined comment on the auction yesterday.

Pearson shares closed 1½p down at 935p.

Patriotism is out of place in sale of Rolls-Royce

Sentiment is in fact part of the reason it is now being sold, says **Roger Taylor**

For many older British investors the sale of Rolls-Royce Motor Cars to the Germans is a national humiliation.

They regard the decision by Vickers, the engineering group, to sell the luxury carmaker to Volkswagen as little short of treason.

Many of these shareholders made vocal protests at Vickers' annual meeting earlier this month.

Since then, some have contacted the Financial Times and called for a public subscription to keep Rolls-Royce British.

The emotions are understandable. Vickers and VW are names with associations that are particularly wounding to the national pride of Britons with long memories.

Vickers built the tanks and aircraft, including the Spitfire that helped Britain win the second world war.

VW was the brainchild of Hitler who originally conceived the idea of a "people's car" and who laid the foundations of the company's headquarters in Wolfsburg.

The contrasting fortunes of Rolls-Royce and VW are indicative of the what has happened to industry in Britain and Germany since the war.

Rolls-Royce is now a marginalised manufacturer of cars few can afford and which risk undermining the company's reputation for superior quality. VW is Europe's biggest carmaker and a world player.

Vickers argues that emotional attachments to Rolls-Royce Motor Cars cannot withstand the financial logic of the sale. It points out that the company requires resources and expertise to develop new models which are beyond anything Vickers could muster.

Vickers says that Rolls-Royce will enjoy a much brighter future under the control of VW than under Vickers.

VW plans to increase output five-fold, develop new models and carry on building the cars in Britain.

The Engineering Employers Federation says that the rest of the UK car industry has already been saved by foreign investments. It talks of a "renaissance" of UK car manufacturing under the control of Japanese, Koreans, Germans and Americans.

John McGee, professor of strategy management at Warwick Business School, argues that foreign carmakers have re-educated British management and taught them management and marketing skills which have then passed on to other companies and industries.

He says foreign investment in the UK has taught British businessmen the skills they needed to reverse the decline of British manufacturing.

Japanese investment in car manufacturing taught the industry to improve its productivity.

BMW, which is trying to return Rover to profitability, is teaching the UK company the product development and design skills at which BMW excels.

He describes globalisation of business not simply as the creation of larger international units but as a "trade in competences".

The shareholders who object to the sale of Rolls-Royce get emotional about the issue. They talk of the great names of British industry which have now faded such as Laird, the shipbuilder, and Parsons, the turbine builder bought by Siemens of Germany.

Others point out that these are all businesses based around technology of the last century. What matters, they say, is to be well-represented in newer faster growing industries such as information technology and media.

Indeed, Professor McGee would blame these sentimental attitudes for much of the long-term decline of sections of British industry.

He points to governments which nationalised various industries as part of their ambitions to build industrial champions, and also to post-war managers – and investors – who were more interested in the past than the future.

Jacor shows interest in buying Talk Radio

By Cathy Newman

Talk Radio and other UK radio stations being sold by CLT-UFA of Luxembourg are attracting interest from the US. Jacor Communications of Kentucky is thought to have reached the second round of bidding.

CLT-UFA appointed Lehman Brothers to try to sell businesses including a 63.2 per cent stake in Talk; 80 per cent of Atlantic 252, which transmits to the UK from Ireland; and RTL Country, a country music station broadcasting in Greater London.

Jacor would have to form a consortium to bid for Talk and Country, as UK rules prevent US companies controlling domestic radio licences, but Irish media rules would allow it to buy Atlantic. Jacor, CLT-UFA and Lehman Brothers declined to comment.

Jacor linked with Electra Fleming, the venture capital group, to bid for Melody Radio, the easy-listening station bought by Emap this year. However, it is thought the pair have not joined forces to bid for the CLT-UFA interests.

JCB: Digging in for US future

JCB challenges rivals with $50m US plant

By Peter Marsh

JCB Group, one of Britain's biggest privately-owned manufacturers, is planning to challenge its North American competitors with its first production base in the US.

The investment of up to $50m underlines the expansion plans of the family-owned manufacturer, which apart from a small joint venture in India has all its current production in the UK.

JCB, which in units is Europe's biggest maker of construction machines, and the fifth largest in the world, expects this year the US will become its biggest single market, after the UK.

The US accounts for nearly 30 per cent of the world's $80bn a year market for construction machines such as excavators and backhoe loaders.

Three of the world's four biggest makers of these vehicles – Caterpillar, Ingersoll Rand and Case – are US-owned. The other large manufacturer is Komatsu of Japan.

Sir Anthony Bamford, chairman and part owner of JCB, said the move to start a US factory was a "logical step" for the company, which was started in 1945 by his father. Sir Anthony is determined to keep the company, which exports nearly three quarters of its output, under his family's sole ownership.

The US plant is due to be built by 2001 and is expected to produce 5,000-10,000 machines a year and employ several hundred people. The location of the factory is still to be decided.

JCB – which during the 1990s boosted annual sales by 150 per cent to £773.5m ($1.26bn) last year – saw a 20 per cent fall in pre-tax profits last year, largel due to the strength of sterng.

However, the grou is predicting an increasin production this year deite the strong pound.

Sir Anthony said emand in mainland Euroe was recovering after beir weak for much of the 1990 while markets in the US were "strong".

"Prospects are OK but it not fantastic," he said. In the 1997 year pre-tax profits fell to £80.3m, compared with £100.3m previously, on sales up 3.1 per cent to £773.5m (£750.3m).

Restated in constant 1996 exchange rates, pre-tax profits would have been £11[illegible]m, or 15 per cent up.

Production volumes from the company's plants – all of which are in the UK – increased 9.3 per cent to 24,669 machines, maintaining JCB's position as the world's fifth biggest maker.

COMMENT

UK productivity

Should investors be pleased or alarmed that the government has a bee in its bonnet about UK productivity? The risk is twofold: that the government denies its own role in creating an environment unfavourable to investment; and that interventionist solutions tend to distort investment decisions, creating inefficiencies. Fortunately, the way the issue is being tackled should minimise these risks, as well as offering some hope of a creative outcome. A welcome part of the process is that UK business people have the chance to influence senior ministers. Coupled with issues McKinsey has highlighted in its report on Britain's productivity gap, such as over-regulation, this should ensure government behaviour is as much in the spotlight as business decisions. This should lead to reforms that remove barriers to investment. And if the government does end up spending money to tackle problems such as skill shortages, it will be better directed thanks to proper consultation with employers. More difficult, but just as useful, would be a way of disseminating the best management practices being discussed by participants in the chancellor's productivity seminars.

But given a choice between stimulating seminars and a stable economic environment with lower interest rates, business people would opt for the latter. They will then reduce the hurdle rates of return for investment, clearing the way for a modernised capital base and growth.

Billiton

Billiton's Mozal aluminium smelter in Mozambique looks a winner. Cheap power will put it at the low end of the cost curve, while a favourable tax regime will bolster returns. Moreover, project risks are low given that Mozal is modelled on the successful Hillside project in South Africa. With the company still keen to buy government aluminium assets in Venezuela, though, the pressure is on to do other deals. After all, Billiton is committed to geographical and product diversification. Right now, the slant is towards southern Africa and aluminium.

Given the company's deal-making culture, and with resource companies attractively priced after recent commodity price falls, we may not have long to wait. A recovery in the share price, alas, may take longer with Asia again weighing on commodity prices.

Ilion and Abacus markets slow

By Susanna Voyle

Two distribution companies yesterday issued profits warnings, blaming the slowdown in UK manufacturing.

Shares in Ilion, which distributes computer networks and communications products, fell 40 per cent to 112½p, while Abacus Polar, the electronic components distributor, saw its shares fall from 126p to 96½p.

Both groups said the slowdown had only just started and they would be cutting costs as their markets could continue to be depressed for some time.

Ilion's profits warning was its second in six months. Minh Tran Chau, finance director, said pre-tax profits might be less than the £6m ($10m) in 1997, against the £8m the market had been expecting. Analysts were now expecting Ilion to make £5.8m.

Mr Chau said the manufacturing slowdown had combined with a diversion in IT spending. Companies were ensuring compliance with the millennium and European economic and monetary union, instead of investing in new equipment. They were also putting off expenditure because the pace of technological change was so fast.

Abacus Polar said the hoped-for recovery in the semiconductor industry was not materialising and the group would not achieve the £9.6m annual pre-tax profits the market was expecting. Analysts now expect Abacus to make about £7m.

Transco shortfall leads to price rise

By Robert Corzine

Transco, the monopoly UK gas pipeline operator owned by BG, will raise prices 2 per cent in October because a second consecutive warm winter has left it well short of the amount it is allowed to earn by its regulator.

BG, which yesterday reported a generally "satisfactory" first quarter with net modified historical cost profits of £304m ($496m) – 2 per cent down on last year – said it would recover £190m in allowed revenue over two years, beginning in October.

That will mean an average 2 per cent rise in gas transportation costs, which make up about 45 per cent of the total domestic gas price, according to Philip Hampton, BG's finance director.

Yesterday's results showed that Transco weathered relatively well a 13 per cent price cut ordered by Ofgas, its regulator, that, along with higher temperatures, depressed first quarter operating profits by £62m to £465m.

Operating profits would have been £92m higher if winter temperatures had been normal. The 13 per cent price cut cost Transco an additional £140m, partially offset by £57m in cost savings.

Low oil prices did not affect UK gas profits, but they did affect BG's international profits and drag down the group's overall performance.

BG half of the former British Gas, reported operating profits £37m down at £552m on turnover of £1.31bn (£1.43)

Although the warm weather has affected Transco's volumes, Mr Hampton said the underlying performance of the pipeline operator was positive.

It is "nudging ahead" of the 3 per cent annual cost reduction target in its price formula, while "underlying gas volume trends are quite good".

A £27m improvement in BG's exploration and production operating profits to £63m reflected sharply higher volumes, which rose 48 per cent.

British Energy to merge its nuclear units

By Andrew Taylor, Utilities Correspondent

British Energy yesterday signalled its intention to merge the independently managed English and Scottish nuclear power subsidiaries set up when it was privatised in 1996.

The separation, partially to satisfy Scottish sensitivities, was accompanied by rows over the number of English and Scottish directors on the board. There were also concerns over whether British Energy's Edinburgh headquarters would be just "a brass plate on the wall".

The company said yesterday: "Life has moved on since we were privatised. These concerns were never really relevant. We are well established as a British company with its headquarters in Scotland. The reality is that we have been operating as a single company for some time."

British Energy also confirmed it was looking at several potential nuclear investments in the US north east through its AmerGen joint venture with PECO Energy of Philadelphia.

AmerGen's name was recently associated with a nuclear plant at Three Mile Island in Pennsylvania, where a nuclear reactor was closed after coming close to meltdown in 1979. A deal however is thought to be unlikely.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abacus Polar	6 mths to Mar 31	51.7	(46.6)	4.21	(4.8)	6.2	(7)	2.2	July 1	2	-	6
Alvis	6 mths to Mar 31	94.4	(31.2)	9.87	(3.06)	9†	(2.4)	1.5太	July 31	1.25	-	3.5
Bank of Ireland ♣	Yr to Mar 31	-	(-)	530.4	(395.6)	70.9	(52)	15.9	July 10	11.65	23	17.75
BG	3 mths to Mar 31	1,313	(1,435)	524♥	(514)	9	(7.2)	-	-	-	-	8
Car	6 mths to Feb 28	136.1	(88.3)	3.04♥	(2.1)	5.3†	(5)	1.72	July 6	1.56	-	4.66
De Gruchy (A)	Yr to Jan 31	56.4	(48.9)	3.21	(3.31♥)	17.05	(17.8)	6.2	July 1	5	8.52	7
Ferguson Intl	Yr to Feb 28	132.5	(153.9)	0.854♠	(10.6♠)	1	(17.4)	nil	-	8.75	4.5	13.25
Jersey Electricity	6 mths to Mar 31	25.5	(24.8)	3.86	(2.99)	2.01	(1.59)	23¥	Aug 28	18	-	48
Manx & Overseas Φ	6 mths to Mar 31	5.73	(5.05)	0.234♥	(0.103♥)	0.33	(0.11)	-	-	-	-	nil
Micro Focus	3 mths to Apr 30	29.4	(18.6)	5.08	(2.06)	4.3	(1.8)	-	-	-	-	-
Quadramatic	6 mths to Apr 3	38.5	(35)	6.45	(6.69)	8.8	(9.2)	4.5	July 3	4.1	-	10
Scottish Radio	6 mths to Mar 31	21.3	(18.3)	5.78	(4.49)	14.2	(10.8)	3.6	July 3	3	-	9.4
Shaftesbury	6 mths to Mar 31	8.89□	(8.1□)	3.32	(2.79)	2.1†	(2.2)	0.85	July 3	0.75	-	2.25
Tomkinsons	6 mths to Mar 28	14.9	(13.7)	0.962	(0.86)	10.3	(8.9)	3.5	July 1	3.5	-	11.5
Xenova	3 mths to Mar 31	1.85	(0.205)	2.68L	(2.81L)	11L	(11L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Kleinwort Emerging	Yr to Mar 31	125.2	(136.4)	0.065L	(3.11L)	0.23L	(10.99L)	-	-	-	-	-
Undervalued Assets	Yr to Mar 31	179.8	(162.72)	4.17	(1.77)	3.99	(2.26)	2.35	July 10	2.35	2.35	2.35

Earnings shown basic. Dividends shown net except ¥Gross throughout. Figures in brackets are for corresponding period. 太Foreign income dividend. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAlm stock. □Net revenue.

هدية من الاهل

EQUITIES

Indonesian riots subdue Europe

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

More rioting in Indonesia and a sharp initial drop on Wall Street led to a subdued day for most European stock markets. But losses were contained, especially after New York stabilised.

The FTSE Eurotop 300 fell 2.52, or 0.2 per cent, to 1,225.0 while the FTSE Ebloc 100, which focuses on stocks in those countries planning to adopt the single currency, dropped 0.4 to 1,016.86.

The FTSE Eurotop 100 index declined 4.37 to 2,817.55. There was a slight pick-up in trading in the new Eurotop 100 future on the London International Financial Futures Exchange, with 542 contracts changing hands.

The Bundesbank council, as expected, left German interest rates on hold after its monthly meeting. European bond markets were fairly flat, despite a modest opening drop in US Treasuries after stronger-than-forecast core inflation data.

Asian worries spread to some of Europe's emerging markets, notably Russia, which fell to a 16-month low. But the recent "safe haven" buying of the Swiss franc petered out.

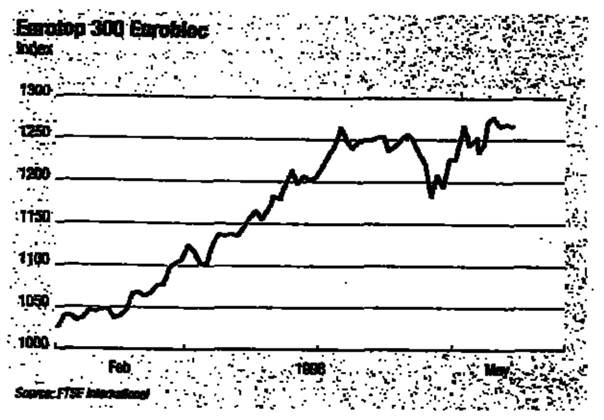
The oil sector again provided Europe's best performer. This time it was the exploration and production stocks which gained 3.75 per cent after Wednesday's 4.1 per cent gain in the integrated groups.

Enterprise Oil gained Ecu 0.3 to Ecu 8.82 and Lasmo Ecu 0.1 to Ecu 4.3. Morgan Stanley produced a bullish note on the sector this week.

However, the extractive industries again took a pounding, dropping 2.5 per cent. Billiton was the culprit this time, falling 4 per cent or Ecu 0.1 to Ecu 2.48; it appeared to be suffering from the same Asian worries that hit Rio Tinto on Wednesday.

Some Asian worries also showed up in the retail banking sector which dropped 0.7 per cent. Société Générale dropped Ecu 6.6 to Ecu 187.73 and Dresdner Bank fell Ecu 1.4 to Ecu 51.53.

The Hewlett-Packard profits warning that hit Wall Street had only a modest impact on Europe's information technology sector, which dropped 0.55 per cent. SAP fell Ecu 2.8 to Ecu 469.97 and Cap Gemini slipped Ecu 0.5 to Ecu 113.27.



THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.755	95.750	-	95.760	95.750	178	12441
Sep	95.800	95.800	-	95.800	95.780	192	17502
Dec	95.900	95.900	-0.010	95.905	95.900	53	7154
Mar	95.795	95.800	-0.005	95.810	95.785	90	5230

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
96000	0	0.005	0.005	0.025	0.250	0.255	0.205	0.225
96125	0	0	-	-	0.375	0.375		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2816.0	2812.0	-7.0	2816.0	2807.0	537	61
Sep	-	2838.0	-7.0	-	-	0	5

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2760 C	P	2775 C	P	2800 C	P	2825 C	P	2850 C	P	2875 C	P	2900 C	P	2925 C	P
Jun	[illegible]															
Jul	[illegible]															

Calls - Puts - Premiums shown are based on settlement prices.

OTHER INDICES

	May 14	May 13	May 12	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3288.97	3301.94	3281.03	3388.89	2574.51	3388	2576.42
DJ Euro Stx 50	3385.41	3304.42	3280.86	3345.88	2468.51	3346	2885.52
MSCI Europe	1215.77*	1222.84	1222.83	1240.92	960.36	1240.92	610.78

Source: DataStream of FT Information. *Subject to revision next day. (e) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

May 14 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Ecu)
FTSE Eurotop 300	1225.00	−0.21	−2.52	1.93	11.03	1246.05
FTSE Eurotop 100	2817.55	−0.16	−4.38	2.00	8.48	998.29
FTSE Ebloc 100	1016.86	−0.04	−0.40	1.60	3.12	1020.02
FTSE Eurotop 300 Regions						
Eurobloc	1268.34	−0.12	−1.52	1.58	6.54	1280.09
UK	1144.08	−0.17	−1.92	2.79	17.40	1181.02
Europe Ex-Eurobloc	1191.90	−0.29	−3.46	2.30	14.23	1219.02
Europe Ex-UK	1271.76	−0.22	−2.86	1.50	7.41	1282.72
FTSE Eurotop Industry Sectors						
RESOURCES	1060.51	+0.49	+5.18	2.62	13.08	1089.46
Extractive Industries	954.10	−2.47	−24.18	2.72	0.00	954.10
Oil, Integrated	1017.67	+0.57	+5.73	2.62	6.09	1023.99
Oil, Exploration & Prod	1075.19	+3.75	+38.84	2.26	0.00	1075.19
GENERAL INDUSTRIES	1211.89	−0.16	−1.96	1.77	9.31	1224.91
Construction	1026.60	−0.69	−7.16	2.96	0.00	1026.60
Building Matls & Merchs	1041.53	+0.32	+3.37	2.55	0.00	1041.53
Chemicals	1021.21	+0.27	+2.79	2.11	7.89	1029.35
Diversified Industrials	1014.96	−0.86	−8.80	1.87	0.00	1014.96
Electronic & Elect Equip	1057.87	+0.18	+1.90	1.57	0.00	1057.87
Engineering	1018.00	−0.24	−2.44	2.17	0.37	1018.36
Paper, Pckg & Printing	1034.86	−0.70	−7.29	2.28	0.00	1034.86
CONSUMER GOODS	1155.97	−0.30	−3.48	1.80	9.80	1178.51
Automobiles	1054.78	−0.48	−5.05	0.85	1.98	1058.74
Alcoholic Beverages	1005.43	+0.36	+3.61	2.30	1.86	1007.34
Food Producers	1006.34	−0.58	−5.83	1.55	2.05	1008.41
Household Goods & Texts	1039.78	−0.89	−9.35	1.19	0.72	1040.52
Healthcare	998.35	+1.54	+15.13	2.30	0.00	998.35
Pharmaceuticals	991.75	−0.20	−1.99	1.35	1.03	992.78
Tobacco	1000.41	−0.36	−3.59	4.25	0.00	1000.41
SERVICES	1162.50	+0.30	+3.45	1.91	7.62	1179.54
Distribution	999.43	−0.46	−4.64	0.99	2.70	1002.13
Leisure & Hotels	1010.63	+2.11	+20.85	2.39	0.00	1010.63
Media	1031.70	+1.35	+13.71	2.23	0.00	1031.70
Retailers, Food	988.99	+0.14	+1.41	2.05	1.34	990.35
Retailers, General	1005.15	+0.26	+2.60	2.23	0.00	1005.15
Telecommunications	999.69	−0.27	−2.68	1.65	0.00	999.69
Breweries, Pubs & Rests	984.77	−0.42	−4.03	2.79	0.00	984.77
Support Services	986.47	+1.30	+12.65	1.32	3.20	989.68
Transport	1015.64	+0.80	+8.10	2.37	0.59	1016.25
Information Technology	991.65	−0.55	−5.53	0.41	2.23	993.91
UTILITIES	1278.29	+0.71	+9.01	3.40	23.71	1317.54
Electricity	969.41	−0.01	−0.08	3.54	0.00	969.41
Gas Distribution	993.96	+2.62	+25.42	1.85	63.72	1084.39
Water	963.42	+1.65	+15.67	5.24	0.00	963.42
FINANCIALS	1348.74	−0.78	−10.60	1.86	13.31	1370.26
Banks,Retail	989.18	−0.71	−7.12	2.09	2.97	992.11
Insurance	973.95	−0.97	−9.54	1.30	3.23	977.14
Life Insurance	965.97	−1.69	−16.65	1.65	0.00	965.97
Other Financial	1025.20	+0.83	+8.42	1.91	0.00	1025.20
Investment Companies	1022.72	+0.71	+7.18	2.16	0.00	1022.72
Property	944.80	−0.17	−1.56	2.81	0.00	944.80

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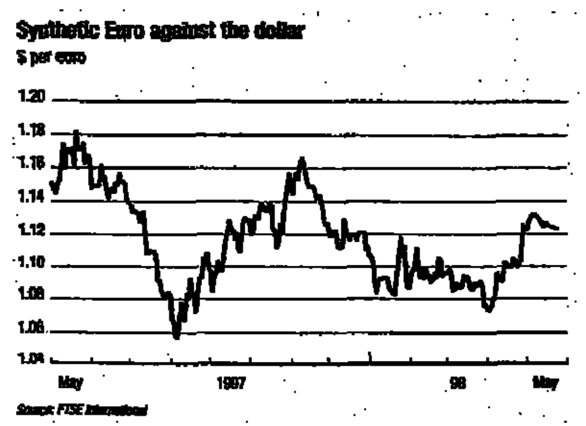
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

May 14	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.865891	−0.0010	−0.01	−0.0000	0.00
Belgium	BEF	41.263784	+0.0077	0.02	+0.0370	0.09
Czech Republic	CZK	36.515075	−0.2109	−0.57	−0.3166	−0.86
Denmark	DKK	7.614686	−0.0013	−0.02	−0.0060	−0.08
Finland	FIM	6.074434	−0.0009	−0.01	+0.0018	0.03
France	FRF	6.704522	+0.0019	0.03	+0.0027	0.04
Germany	DEM	1.999999	−0.0002	−0.01	−0.0000	0.00
Greece	GRD	345.901617	−0.7854	−0.23	−3.3859	−0.97
Hungary	HUF	236.592143	+0.3377	0.14	−0.2161	−0.09
Ireland	IEP	0.794019	+0.0003	0.04	−0.0030	−0.37
Italy	ITL	1970.823513	−0.3343	−0.02	−1.0106	−0.05
Luxembourg	LUF	41.263784	+0.0077	0.02	+0.0370	0.09
Netherlands	NLG	2.252530	−0.0001	0.00	+0.0004	0.02
Norway	NOK	8.360708	−0.0073	−0.09	+0.0259	0.31
Poland	PLN	3.824489	−0.0101	−0.26	−0.0066	−0.17
Portugal	PTE	204.601040	−0.0458	−0.02	+0.0723	0.04
Romania	ROL	9546.325721	−14.8410	−0.16	−36.1654	−0.38
Russia	RUB	6.900159	−0.0246	−0.35	−0.0418	−0.60
Slovakia	SKK	38.508495	−0.0324	−0.08	−0.0985	−0.26
Spain	ESP	169.777420	−0.0071	0.00	−0.0100	−0.01
Sweden	SEK	8.651565	+0.0111	0.13	+0.0528	0.61
Switzerland	CHF	1.664268	+0.0022	0.13	−0.0007	−0.04
United Kingdom	GBP	0.689454	+0.0013	0.18	+0.0008	0.12
ECU	ECU	1.015179	−0.0004	−0.04	+0.0000	0.00
Americas						
Brazil	BRL	1.289521	−0.0006	−0.05	−0.0078	−0.60
Canada	CAD	1.628402	+0.0058	0.36	−0.0035	−0.22
Mexico	MXN	9.558818	−0.0227	−0.24	−0.0731	−0.76
United States	USD	1.124354	−0.0002	−0.01	−0.0090	−0.79
Pacific/Middle East/Africa						
Australia	AUD	1.791096	+0.0038	0.21	+0.0089	0.50
Hong Kong	HKD	8.710369	−0.0027	−0.03	−0.0725	−0.83
Japan	JPY	150.730667	+0.0012	0.00	−0.0446	−0.03
Singapore	SGD	1.862629	+0.0001	0.00	+0.0206	1.12
South Africa	ZAR	5.717339	+0.0031	0.05	−0.0237	−0.41

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends.



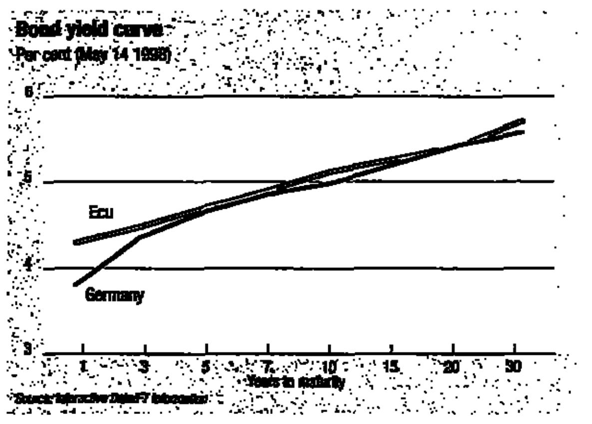
EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

May 14	Fixed rate	Market rate	Diff fxd v mkt%	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0385	0.01	0.01	7.0381	3.84	0.04
Belgium	20.6255	20.6423	0.08	−0.01	20.6454	3.82	0.02
France	3.35386	3.354	0	−0.04	3.3534	3.77	−0.03
Finland	3.04001	3.0388	−0.04	−0.07	3.0413	3.93	0.13
Ireland	0.402676	0.3972	−1.36	−0.99	0.4018	5.66	1.86
Italy	990.002	985.9103	−0.41	−0.36	980.9132	4.61	0.81
Luxembourg	20.6255	20.6423	0.08	−0.01	20.6454	3.82	0.02
Netherlands	1.12674	1.1268	0.01	−0.01	1.1268	3.8	0
Portugal	102.505	102.4523	−0.05	−0.09	102.6722	4.14	0.34
Spain	85.0722	84.9317	−0.17	−0.16	85.1633	4.24	0.44
Germany	1					3.8	

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98: DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS



EUROZONE CORPORATE BONDS

May 14	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	104.770	5.12	−0.02	+0.13	+0.00
France (Rep of)	04/08	5.250	N/A	101.570	5.04	−0.01	+0.13	−0.08
Italy (Rep of)	05/08	5.000	AA	98.700	5.17	+0.00	+0.08	+0.05
Portugal (Rep of)	06/08	5.375	AA−	101.580	5.17	+0.00	+0.14	+0.05
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	100.160	4.83	−0.02	+0.29	+0.14
Gen Electric Cap Crp	10/04	5.500	AAA	102.730	4.88	+0.00	+0.18	+0.16
Oest Kontrollbank	04/08	5.250	AAA	100.380	5.20	+0.01	+0.12	+0.08
Cred Local de France	04/08	5.250	AA+	99.100	5.37	+0.00	+0.14	+0.25
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	A+	101.100	4.61	−0.03	+0.17	+0.14
Cred Foncier France	03/04	8.375	A	114.500	5.40	+0.00	+0.10	+0.58
Euro Inv Bank	04/04	5.250	AAA	102.470	4.76	−0.01	+0.11	−0.06
ABN Amro Hldg. NV	04/07	6.375	AA−	106.769	5.40	−0.03	+0.04	+0.34

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Ecu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

May 14	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	−0.12	−0.02	+0.04	−0.02	+0.02	−0.05
Belgium	−0.10	+0.01	+0.04	+0.00	+0.03	−0.04
Finland	−0.15	+0.04	+0.05	−0.01	−0.30	−0.59
France	−0.18	−0.05	−0.09	−0.07	−0.02	−0.11
Germany	−0.24	−0.05	−0.04	−0.14	+0.01	−0.13
Ireland	+0.52	+0.18	+0.11	+0.08	+0.14	+0.19
Italy	+0.20	+0.21	+0.15	+0.14	+0.21	+0.07
Luxembourg	−0.10	+0.01	+0.04	+0.00	+0.03	−0.04
Netherlands	−0.11	−0.05	−0.06	−0.09	−0.03	−0.12
Portugal	−0.03	+0.03	+0.04	+0.05	+0.35	+0.33
Spain	−0.02	+0.05	+0.10	+0.05	+0.20	+0.27
"OUTs"						
Denmark	+0.44	+0.33	+0.27	+0.19	+0.15	+0.16
Greece	+5.64	+4.38	+3.43	+2.82	+2.53	+2.24
Sweden	+0.48	+0.35	+0.25	+0.17	+0.17	−0.12
UK	+2.17	+1.35	+1.12	+0.77	+0.49	+0.07

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

May 14	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	−0.02	+0.02	+0.05
France Telcom	AA+	11/06	6.250	FRF	+0.18	+0.18	+0.29
Halifax	AA	07/07	5.625	DEM	+0.18	+0.21	+0.29
Ing Bank NV	AA−	01/08	5.500	NLG	+0.15	+0.19	+0.26
Bayer Hypo W Bk	A+	02/02	6.750	ITL	+0.27	+0.29	+0.77
Cred Foncier	A	02/03	7.250	DEM	+0.35	+0.45	+0.88
Thomson-Brandt Int	A−	03/04	6.375	FRF	+0.31	+0.35	+0.82
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.30	+0.25	+0.57
Bank of China	BBB	07/99	7.125	DEM	+0.61	+0.65	+0.47
Natl Bk of Hungary	BBB−	06/01	9.000	ATS	+0.63	+0.68	+1.41
Korea Dev Bank	B+	11/02	5.625	FRF	+4.42	+4.14	+5.44

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES	[illegible]				
AUTOMOBILES	[illegible]				
BANKS RETAIL	[illegible]				
BREWERIES, PUBS & RESTAURANTS	[illegible]				
BUILDING MATERIALS & MERCHANTS	[illegible]				
CHEMICALS	[illegible]				
CONSTRUCTION	[illegible]				
DISTRIBUTORS	[illegible]				
DIVERSIFIED INDUSTRIALS	[illegible]				
ELECTRICITY	[illegible]				
ELECTRONIC & ELECTRICAL EQPT.	[illegible]				
ENGINEERING	[illegible]				
EXTRACTIVE INDUSTRIES	[illegible]				
FOOD PRODUCERS	[illegible]				
GAS DISTRIBUTION	[illegible]				
HEALTH CARE	[illegible]				
HOUSEHOLD GOODS & TEXTILES	[illegible]				
INFORMATION TECHNOLOGY	[illegible]				
INSURANCE	[illegible]				
INVESTMENT COMPANIES	[illegible]				
LEISURE & HOTELS	[illegible]				
LIFE INSURANCE	[illegible]				
MEDIA	[illegible]				
OIL, EXPLORATION & PRODUCTION	[illegible]				
OIL, INTEGRATED	[illegible]				
OTHER FINANCIAL	[illegible]				
PAPER PACKAGING & PRINTING	[illegible]				
PHARMACEUTICALS	[illegible]				
PROPERTY	[illegible]				
RETAILERS, FOOD	[illegible]				
RETAILERS, GENERAL	[illegible]				
SUPPORT SERVICES	[illegible]				
TELECOMMUNICATIONS	[illegible]				
TOBACCO	[illegible]				
TRANSPORT	[illegible]				
WATER	[illegible]				

Notes: [illegible]

Trading subdued by concern over Asia

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

Prices ended mixed in subdued trading yesterday but investors remained concerned by an escalation of political tension in Indonesia and fears of a renewed round of Asian economic troubles.

A decision by the Bundesbank to leave interest rates unchanged and a sprinkling of comments by bank officials supporting no imminent adjustment failed to excite the market, which is looking ahead to next week's meeting of the Federal open market committee (FOMC) in the US for direction.

Traders were initially soothed by a rebound in Hong Kong's Hang Seng index, which ended with firm gains. But fresh riots in Indonesia refocused attention on bond positions over the next few days.

"I don't think you'll find people wanting to go home this weekend short on bonds. It [Asia] is going to be a theme, but not quite as big as last year because there aren't the same levels of safe-haven flows," said David Keeble, bond analyst at Credit Suisse First Boston.

Other factors unnerving the markets were lingering talk of a threat to the Hong Kong dollar's peg to its US counterpart and worries over the poor health of the Japanese economy.

US TREASURIES were mixed at mid-day following the release of new figures on consumer prices. The benchmark 30-year Treasury bond had slipped $\frac{1}{32}$ to $102\frac{11}{32}$, sending the yield up to 5.955 per cent.

In the market's shorter-term sectors, the two-year note was unchanged at $100\frac{1}{32}$, yielding 5.589 per cent.

Consumer prices for last month rose 0.2 per cent, while the core rate, excluding the volatile food and energy sectors, was 0.3 per cent higher.

"The headline numbers were a bit clouded by tobacco prices, but other than that they were right on consensus," said Claude Persico, economist at Dresdner, Kleinwort Benson.

UK GILTS ended down in heavy volume of 106,000 contracts traded as investors reacted to a revival in some quarters of the interest rate debate.

Higher than expected earnings data have sparked renewed concerns over inflation but analysts said recent economic data suggest a softening in the economy and that interest rates have peaked.

The questions were how far the earnings data were influenced by "one-off" bonuses and how far the Bank of England was focusing on labour issues, in particular the debate over a minimum wage.

"I think we're still suffering the backwash from yesterday's earnings numbers and the additional uncertainty it's created on the rate outlook," said Kevin Adams, gilts strategist at Barclays Capital.

Nevertheless, short sterling fell to a six-week low on rate rise fears. The June 10-year future settled at 107.94, down 0.13 basis points. In the cash market, the spread over bunds widened from 98 to 102 basis points.

GERMAN BUNDS scarcely budged on a Bundesbank decision to leave interest rates unchanged but the June bund future, later settled 0.14 basis points higher at 106.89 in modest volume of 50,000 contracts.

Hans Tietmeyer, Bundesbank president, said Germany basically achieved monetary stability last year and that there was no immediate threat to this.

James Mitchell, senior strategist at Nomura, predicted a reversal of the past month's steepening of the yield curve and a return to a flattening trend.

"The long end will be more driven by events in the US and will be buoyed by the FOMC leaving rates unchanged and increasing tension in Asia," he said.

Mixed fortunes for Slovenia and Slovakia

INTERNATIONAL BONDS

By Kevin Done and Vincent Boland

SLOVENIA and SLOVAKIA, two of the 10 countries from east Europe seeking entry to the European Union, launched benchmark eurobonds yesterday with sharply contrasting fortunes.

Slovenia, the highest rated of any of the former communist countries of east Europe, launched a E500m bond, pioneering new ground for the region with the first eurobond denominated in euros. In contrast to Slovakia, it is in the first wave of five countries from the region that have already begun formal negotiations on EU entry.

The only east European country with an investment grade single A credit rating from all the leading rating agencies, Slovenia launched its bond at a yield spread of only 57 basis points over the benchmark French government seven-year Ecu bond. The issue was lead-managed by J. P. Morgan and Banque Paribas.

The spread was tightened from a planned 60 basis points because the order book was more than three times oversubscribed, said Richard Luddington, J. P. Morgan managing director and head of the emerging market debt syndicate.

The issue attracted new investors both to euro denominated bonds and to Slovenia, said Mr Luddington.

Slovakia, which lost its Baa3 investment grade rating from Moody's in March, when it was downgraded to the speculative grade Ba1, launched a multi-tranche bond in US dollars, D-Marks and yen, raising a total of around $750m.

Nomura, the Japanese investment bank, was global co-ordinator and lead manager, with Chase Manhattan joint lead for the US dollar notes and Commerzbank joint lead for the D-Mark tranche.

The bond fared well in the German and Japanese markets, but had difficulties appealing to US dollar investors. The five-year D-Mark tranche attracted much healthier demand than the dollar portion, raising DM600m at a spread of 350 basis points over Bunds with a coupon of 8 per cent.

Traders said the spread on the $300m portion of 370 basis points over Treasuries reflected what had happened to Slovakia since it last came to the market in 1996 (through the state-guaranteed VV utility), when it was able to clear the market at a spread of 115 basis points over 10-year Treasuries.

"Slovakia is now priced wider than Turkey," although it enjoys a much higher credit rating, said one syndicate official. "Slovenia is now trading through Greece. That says it all."

HMV MEDIA priced the dollar tranche of its dual-currency 10-year bond at 450 basis points over the 10-year Treasury. A £135m sterling tranche was priced on Wednesday at 498 basis points over 10-year gilts.

Bankers said what had been planned as just a sterling deal had to include a dollar tranche, as European appetite for high-yield paper was still developing.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
ING Bank NV‡	600	(a)	100.0476R	May 1999	0.05R	-	Paribas
Slovak Republic	300	9.50	99.787R	May 2003	0.875R	+370(Apr03)	Chase/Nomura Intl
Dynatech Corp(b)*	275	9.75#	100.00R	May 2008	3.00R	+409(Feb08)	CSFB
HMV Media Ltd(c)*	125	10.25#	100.00R	May 2008	3.00R	+450(WI 10y)	Merrill Lynch Intl
[illegible]							
Dresdner Finance	1bn	5.00	99.70R	May 2005	0.30R	+19(6%May05)	Dresdner KB
ING Verzekeringen	1bn	4.75	99.63R	May 2003	0.25R	+20(6%Apr03)	BayerVB/ING Barings
Slovak Republic	600	8.00	99.45R	May 2003	0.875R	+350(Apr03)	Commerzbank/Nomura
John Hancock Global Fndg	400	5.375	99.863R	Jun 2008	0.375R	+38(i)	Paribas
Suncorp-Metway Bank	250	(d)	99.942R	May 2000	0.10R	-	Nomura/SBC Warburg DR
STERLING							
HMV Media Ltd(c)*	135	10⅞#	100.00R	May 2008	3.00R	+495(Dec07)	Merrill Lynch Intl
GECC(f)	50	6.375	99.471R	Feb 2002	0.225R	+23(7Jun02)	Dresdner KB/Nikko Europe
FRENCH FRANCS							
Société Générale	1.5bn	5.625	99.29R	May 2010	0.45R	+58(i)	SG
RZB(g)	500	5.375(s)	100.257R	Jul 2005	0.375R	+29(i)	Crédit Agricole Indosuez
YEN							
Slovak Republic*	15bn	4.00(l)	100.00	May 2001	0.80	-	Nomura International
DSL Bank(h)*	11.8bn	5.04(m)	100.00	Jun 2000	1.60	-	Nikko Europe
SWISS FRANCS							
GECC(j)	150	2.25	100.75	May 2002	1.75	-	SBC Warburg Dillon Read
EUROS							
Republic of Slovenia	500	5.875	99.63R	May 2005	0.375R	+57(7½Apr05)	JP Morgan/Paribas
Olivetti International NV(k)	100	5.875	99.666R	May 2003	0.375R	+124(Jul03)	Lehman Brothers Intl
[illegible]							
Kingdom of Denmark	10bn	7.50	101.675	Jun 2003	2.00	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +6¼bp. b) Callable from 15/5/03 at 104⅞% falling to par on 15/5/06. Makewhole call. c) Callable after 5 yrs. d) 3-mth Libor +20bp. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Fungible with £50m. Plus 84 days accrued. g) Fungible with FFr1bn. Plus 1.792% accrued. h) Redeemed in £. i) Over interpolated yield. j) Fungible with SFr350m. Plus 21 days accrued. k) E500m launched 24/4/98 increased to E700m. l) Long 1st coupon. m) Monthly. s) Short 1st coupon.

NEWS DIGEST

TELECOMMUNICATIONS

One-2-One raises £1.6bn loan to refinance debt

One-2-One, the mobile telecommunications group owned by Cable and Wireless and US West, has raised £1.6bn from a syndicated loan to refinance its existing debt and increase investment capital. The loan shaved 50 basis points off its existing borrowing costs, with the initial margin on the new facility at 100 basis points over Libor.

Bob Koenig, finance director, said the refinancing would generate interest savings of around £7m or £8m a year for the group. The loan attracted bank commitments of £2.7bn, according to the company. "Investors are seeing strong performance, rather than just strong forecasts," Mr Koenig said. The company is projected to achieve positive earnings before interest, tax, depreciation and amortisation (Ebitda) this year.

One-2-One received strong backing for the last loan it put together in 1996, and 20 of the 21 banks approached to co-underwrite the current loan signed up for it. "The network is up and running, and the management has always delivered on its promises. It was an easy decision," said one banker.

The deal was priced in line with the recent refinancing by its competitor Orange. The interest charge can ratchet down to 35 basis points over Libor if the company achieves certain target debt to Ebitda ratios.

There has been much concern about the disappearance of the Japanese banks from the syndicated loan market, given their domestic difficulties. However, the loan attracted four Japanese co-underwriters. The lead arrangers are Banque Paribas, Citibank and HSBC Investment Bank. *Simon Davies*

PROJECT FINANCE

Mobile Energy bond rating cut

The US project bond market is bracing itself for what could be the most significant default in its history. Mobile Energy, a company set-up by Southern Company – the US energy group that owns Sweb in the UK – to acquire a power plant in Alabama, has announced that its largest purchaser of power and supplier of fuel is to close.

Investors that bought $323m of Mobile bonds had been made aware of the right of Kimberly-Clark, the consumer products company, to shut down a pulp mill that produces waste providing the bulk of fuel for the plant. It also provides 50 per cent of the plant's revenues through the purchase of electricity and steam. Neither analysts nor investors had expected this right would be exercised. But Kimberly-Clark now plans to shut the mill in September 1999.

Fitch IBCA, the credit rating agency, has downgraded the Mobile bonds from investment grade BBB– to a rating of CCC, which it says indicates a likelihood of default.

Fitch said Mobile Energy "would not be economically viable without contract revenues and fuel sources from the pulp mill, unless management negotiates an alternative contract or develops other strategies to mitigate the loss". Southern Energy is "reviewing its options". *Simon Davies*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

May 14	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.6888	5.09	+0.04	+0.02	+0.09	–1.37
	10/07	10.000	131.2246	5.63	+0.01	–0.04	+0.03	–2.12
Austria	09/99	7.000	103.6700	4.10	–0.04	–0.08	–0.06	+0.26
	07/07	5.625	104.0300	5.06	–0.02	–0.03	+0.12	–0.62
Belgium	01/00	4.000	99.6800	4.19	–0.01	–0.07	+0.07	+0.59
	03/07	6.250	108.2800	5.07	–0.02	–0.02	+0.12	–0.69
Canada	09/99	4.750	99.4100	5.21	+0.03	+0.08	+0.31	+0.51
	06/07	7.250	112.9100	5.41	–	+0.03	+0.17	–1.12
Denmark	12/99	6.000	101.7700	4.77	+0.02	–0.06	+0.34	+0.86
	11/07	7.000	112.4300	5.30	+0.01	–0.03	+0.22	–0.94
Finland	01/99	11.000	104.4716	3.86	+0.01	–0.04	+0.11	+0.20
	04/06	7.250	114.2808	5.02	+0.02	–0.01	+0.17	–1.01
France	01/09	4.000	99.8200	4.10	–0.02	–0.05	–0.02	+0.51
	10/04	6.750	110.8300	4.75	–0.01	–0.02	+0.09	–0.33
	10/07	5.500	103.5400	5.02	–	–0.01	+0.14	–0.61
	10/25	6.000	108.0600	5.66	–0.01	-	+0.16	–0.84
Germany	09/99	4.000	100.0400	3.96	–0.02	–0.08	–0.04	+0.46
	11/04	7.500	114.6200	4.81	–0.01	–0.02	+0.12	–0.38
	07/07	6.000	107.1800	5.00	–0.01	–0.02	+0.14	–0.66
	07/27	6.500	113.4700	5.55	–0.02	–0.01	+0.15	–0.89
Ireland	04/99	6.250	100.9700	5.06	+0.03	+0.03	+0.24	–0.76
	08/06	8.000	116.4200	5.19	–	–0.01	+0.17	–1.33
Italy	06/00	6.000	102.7500	4.53	–0.02	–0.05	+0.01	–1.92
	05/02	6.250	105.3000	4.77	–	–0.02	+0.05	–1.95
	07/07	6.750	111.3500	5.17	–0.01	-	+0.12	–2.04
	11/26	7.250	122.0000	5.68	–0.01	–	+0.14	–2.14
Japan	03/00	6.400	110.8800	0.43	+0.02	–0.01	–0.12	–0.59
	12/02	4.800	117.2900	0.94	+0.02	–0.01	–0.20	–1.04
	09/05	3.000	111.2700	1.38	+0.03	–0.04	–0.24	–1.15
	06/17	3.000	111.8100	2.24	+0.01	–0.02	–0.25	–1.05
Netherlands	11/99	7.500	104.7509	4.12	+0.02	–0.08	-	+0.44
	02/07	5.750	105.4000	4.97	–0.02	–0.03	+0.12	–0.69
New Zealand	02/00	6.500	98.2812	7.56	–0.02	–0.17	–0.39	+0.17
	11/06	8.000	107.5779	6.79	-	+0.02	–0.15	–0.83
Norway	01/99	9.000	102.9480	4.56	–	+0.03	+0.21	+0.67
	01/07	6.750	108.8180	5.44	–0.02	-	+0.19	–0.49
Portugal	03/99	8.500	103.4700	4.19	–0.01	–0.03	+0.01	–1.17
	02/07	6.625	110.1900	5.15	–0.01	+0.01	+0.17	–1.24
Spain	07/99	7.400	103.5800	4.25	+0.04	+0.05	–0.01	–0.92
	03/07	7.350	115.4800	5.13	–0.02	+0.01	+0.14	–1.37
Sweden	01/99	11.000	104.0019	4.69	+0.01	–0.03	+0.03	–0.04
	08/07	8.000	119.8849	5.25	+0.01	–0.03	+0.10	–1.68
Switzerland	03/00	5.000	105.5000	1.88	–0.02	–	+0.04	+0.15
	06/07	4.500	111.3000	3.05	–0.03	–0.03	+0.11	–0.43
UK	08/99	6.000	99.1563	6.71	+0.03	+0.06	+0.15	+0.05
	11/04	6.750	103.9688	6.01	+0.04	+0.05	+0.15	–0.91
	12/07	7.250	109.5938	5.92	+0.02	+0.03	+0.18	–1.03
	06/21	8.000	126.9063	5.86	+0.01	+0.04	+0.19	–1.16
US	10/99	5.625	100.0230	5.61	+0.01	+0.05	+0.01	–0.62
	11/04	7.875	111.5940	5.72	–0.01	–0.01	+0.04	–0.80
	08/07	6.125	102.6178	5.75	+0.01	+0.02	+0.06	–0.82
	08/27	6.375	105.5700	5.97	–0.01	–0.02	+0.03	–0.91
ECU	01/00	4.000	99.6100	4.23	–0.01	–0.07	+0.08	+0.06
	04/07	5.500	103.1500	5.05	–0.01	–0.01	+0.12	–0.94

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

May 14	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.63	+0.65	–0.02	New Zealand	[illegible]	+1.80	+1.13
Austria	5.10	+0.12	–0.55	Norway	[illegible]	+0.51	–0.16
Belgium	5.12	+0.14	–0.53	Portugal	[illegible]	+0.19	–0.48
Canada	5.41	+0.43	–0.24	Spain	[illegible]	+0.19	–0.48
Denmark	5.31	+0.33	–0.34	Sweden	[illegible]	+0.31	–0.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.16	103.11	+0.01	103.18	103.18	75,857	89,951
Sep	102.75	102.63	+0.01	102.75	102.75	3,730	5,073

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Sep	CALLS -	PUTS Jun	PUTS Sep	PUTS -
102	1.33	1.45	-	0.15	0.74	-
103	0.61	0.90	-	0.43	1.17	-
104	0.19	0.51	-	1.01	1.77	-
105	0.04	0.25	-	1.85	2.50	-

Est. vol. total, Calls 13,848 Puts 15,924. Previous day's open int., Calls 54,178 Puts 45,776.

Germany

■ NOTIONAL GERMAN BOND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106.85	106.89	+0.14	106.98	106.79	48126	142262
Sep	106.46	106.46	+0.14	106.50	106.44	189	4137

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
10650	0.49	0.54	0.74	0.89	0.10	0.58	0.78	0.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Italy

[illegible]

Spain

[illegible]

UK

[illegible]

US

[illegible]

Japan

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	102.52	103.02	+0.12	–	–	1	4,992

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

May 14	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
[illegible]								
EIB	02/07	5.750	AAA	105.0100	5.02	–0.02	+0.12	+0.02
Spain	01/07	5.750	AA	104.5800	5.06	–0.03	+0.12	+0.06
Philip Morris	03/04	5.375	A	101.0880	5.15	+0.04	+0.13	+0.39
Finland FRN	09/02	3.570	AA	100.6101	4.05	–0.01	+0.06	–0.46
[illegible]								
Austria	01/04	5.500	AAA	103.5700	4.76	–0.01	+0.08	+0.09
Abbey Nat	02/04	5.000	AA	105.5300	4.87	–	+0.06	+0.17
Cred Foncier	02/04	9.125	A	119.9300	5.04	–	+0.07	+0.34
SCIF FRN	12/01	3.625	AA–	99.8112	4.26	–	+0.07	–0.13
[illegible]								
EIB	02/07	7.000	AAA	112.8000	5.17	–0.01	+0.07	–0.02
Abbey Nat	02/02	6.800	AA	106.5000	4.65	–0.02	+0.05	+0.06
Walt Disney	06/00	6.625	A	107.3800	4.82	+0.02	–0.03	+0.25
EIB FRN	03/01	5.356	AAA	100.0814	4.43	–	+0.04	–0.25
[illegible]								
EIB	12/07	7.625	AAA	109.6829	6.24	+0.03	+0.19	+0.28
Dresdner Bk	12/07	7.750	AA–	106.8849	6.74	+0.03	+0.20	+0.78
British Gas	03/00	7.625	A+	100.9936	7.02	+0.05	+0.14	+0.48
Abbey Nat FRN	02/02	7.713	AA	100.1193	6.18	+0.03	+0.16	–0.04
[illegible]								
EIB	04/07	7.250	AAA	108.3700	6.01	–0.06	–0.02	+0.36
ABN Amro	06/07	7.125	AA–	104.7171	6.43	–0.02	+0.08	+0.78
Quebec	01/07	7.000	A+	104.0768	6.38	–0.02	–	+0.73
Citicorp FRN	02/04	5.734	A+	100.0868	5.70	–0.02	–0.26	+0.06
[illegible]								
Bayer L-Bk	08/04	9.500	AAA	118.0781	5.76	+0.04	+0.13	+0.16
Toronto	05/04	8.500	AA+	113.7161	5.74	+0.04	+0.19	+0.14
Bell Canada	07/99	10.625	A+	105.3569	5.67	+0.04	+0.14	+0.36
Deutsche B FRN	09/02	5.875	AAA	101.1163	5.58	+0.02	+0.10	+0.87
[illegible]								
World Bank	03/02	5.250	AAA	116.8222	0.79	+0.02	–0.21	+0.16
Spain	03/02	5.750	AA	118.6500	0.80	+0.02	–0.22	+0.17
Cred Foncier	08/02	4.750	A	113.8135	1.36	+0.02	–0.13	+0.73
Italy FRN	07/99	0.711	AA	100.3337	0.12	–0.01	–0.05	–0.11

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

UK Indices

[illegible]

	Low coupon yield May 14	Low coupon yield May 13	Low coupon yield Yr. ago	Medium coupon yield May 14	Medium coupon yield May 13	Medium coupon yield Yr. ago	High coupon yield May 14	High coupon yield May 13	High coupon yield Yr. ago
5 yrs	6.08	6.04	6.87	6.17	6.14	6.93	6.19	6.15	6.98
15 yrs	5.87	5.87	7.03	5.90	5.89	7.05	5.99	5.98	7.06
20 yrs	5.87	5.87	7.08	5.89	5.88	7.07	5.99	5.98	7.06
Irred.†	5.99	5.99	7.22						

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Asian currencies buck "new crisis"

MARKETS REPORT

By Simon Kuper

The riots and plundering in Jakarta yesterday enthralled the foreign exchange market, but did little new damage to Asian currencies.

The apparent return of the "Asian crisis" recently has hurt the yen and sent the Australian and New Zealand dollars to multi-year lows against the US dollar. However, Asian currencies have been suffering more from fear that China and Hong Kong might devalue than from Indonesia's problems, said Richard Gray, emerging markets analyst at Bank of America in London. If China were to devalue, currency strategists say various countries in the region would follow suit. By contrast, Indonesia is a far less significant economy. Yesterday Asian markets held relatively steady, largely thanks to greater calm over China.

The Federal Reserve was said to have called a crisis meeting of creditor banks of Indonesia, hoping to persuade them not to call in their debts at once.

The market is now waiting to hear whether President Suharto of Indonesia will step down. He has been quoted in local newspapers as saying: "If I'm no longer trusted (to be president) I'll become a sage, and become closer to God." That briefly helped the rupiah, because the market feels the rest of the world would probably rally behind a new government. But others denied that Mr Suharto would go. By late US trading yesterday the rupiah had risen to about Rp10,500 against the dollar, Rp700 above its Wednesday levels.

The Australian dollar and yen were barely changed at $0.627 and Y134.1 respectively against the US dollar.

The growing pressure on emerging markets forced South Africa to raise its repo rate by 15 basis points to 14.986 per cent in order to defend the rand.

■ The pound lost more than 2 pfgs in the morning against the D-Mark, only to make them up later. In late US trading it was at DM2.904, almost unchanged from Wednesday. Meanwhile short sterling futures contracts slumped for the second day running, to reflect higher prospects for interest rates. The March 1999 contract lost 6 basis points. These markets are lively.

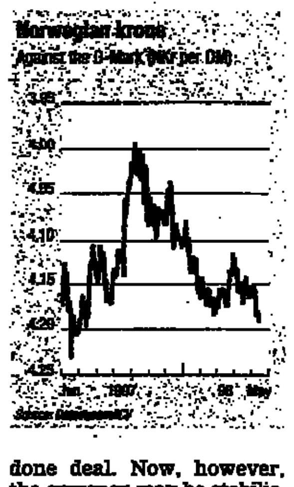
The pound had been falling for 6 weeks, on the view that the UK economy has slowed down while Germany speeds up and European monetary union appears a done deal. Now, however, the currency may be stabilising thanks to hints of inflation. The Bank of England's Inflation Report on Wednesday suggested that prices were not much of a problem. But that same day earnings data rose sharply, while the Bank itself warned that the pound's plunge since the report was written could also boost prices. The money market is now all but pricing in another base rate rise. With UK rates still about 4 per cent above Germany's, and the pound 21 pfgs below its peak, investors have become more hesitant about selling sterling.

■ Last year's rise of the dollar helped the Bundesbank to report a record profit of DM24.2bn yesterday. The bank revalued its dollar holdings from DM1.3620 to DM1.5396. Most of the profits will be spent on repaying government debt.

■ The Canadian dollar is now just 2 cents above its lowest level since 1858. It fell on Wednesday when the Bank of Canada suggested that interest rates would remain on hold for six months, and yesterday when core April consumer prices rose just 1.2 per cent on the year, near the bottom of the bank's target range of 1 to 3 per cent.

The currency closed half a cent down yesterday at C$1.448 to the US dollar. David Abramson, managing editor of the Bank Credit Analyst Currency Service in Montreal, said the drop through C$1.440 meant that the next target was the record low below $1.46.

Mr Abramson said the currency's problems were structural. "There's no inflation, and I can give you a whole list of economic indicators whose growth rate seems to have peaked: gross domestic product, retail sales, car sales, housing starts." Canada's three-month euro rate is about 70 basis points below its US equivalent.



■ POUND IN NEW YORK

May 14	—Latest—	—Prev. close—
£ spot	1.6310	1.6330
1 mth	1.6286	1.6305
3 mth	1.6240	1.6358
1 yr	1.6073	1.6095

■ OTHER CURRENCIES

May 14	£	$
Czech Rp	52.9212 - 52.9977	32.4630 - 32.4900
Hungary	342.994 - 343.286	210.400 - 210.450
Iran	4893.60 - 4890.50	3000.00 - 3000.00
Kuwait	0.4988 - 0.4993	0.3060 - 0.3061
Peru	4.6261 - 4.6342	2.8390 - 2.8410
Poland	5.5427 - 5.5510	3.4000 - 3.4030
Russia	10.0037 - 10.0115	6.1365 - 6.1375
U.A.E.	5.9872 - 5.9916	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.4004	-0.0398	878 - 130	20.4281	20.2423	20.3337	3.8	20.2085	3.7	19.741	3.2	103.1
Belgium	(BFr)	59.8467	-0.1015	957 - 977	59.8977	59.3580	59.6534	3.9	59.2858	3.7	57.8993	3.3	102.6
Denmark	(DKr)	11.0439	-0.0227	389 - 489	11.0559	10.9591	11.018	2.8	10.9681	2.7	10.7622	2.6	104.9
Finland	(FM)	8.8100	-0.0179	024 - 175	8.8175	8.7440	8.7827	3.7	8.7321	3.5	8.5319	3.2	80.8
France	(FFr)	9.7239	-0.0156	201 - 277	9.7299	9.6465	9.6918	4.0	9.6314	3.8	9.4037	3.3	106.0
Germany	(DM)	2.8992	-0.0057	975 - 009	2.9026	2.8753	2.8897	4.0	2.8718	3.8	2.8043	3.3	104.1
Greece	(Dr)	501.677	-2.085	401 - 953	503.157	498.606	503.813	-5.1	507.503	-4.6	519.783	-3.6	58.8
Ireland	(I£)	1.1516	-0.0017	504 - 527	1.1527	1.1425	1.1507	0.9	1.1482	1.2	1.1285	2.0	94.8
Italy	(L)	2858.37	-5.87	676 - 998	2860.78	2836.91	2853.59	2.0	2841.48	2.4	2779.82	2.7	76.0
Luxembourg	(LFr)	59.8467	-0.1015	957 - 977	59.8977	59.3560	59.6534	3.9	59.2858	3.7	57.8993	3.3	102.6
Netherlands	(Fl)	3.2670	-0.0062	653 - 686	3.2708	3.2414	3.2563	3.9	3.2363	3.8	3.1597	3.3	102.0
Norway	(NKr)	12.1550	-0.0333	496 - 603	12.1732	12.0768	12.1215	3.3	12.061	3.1	11.8483	2.5	96.3
Portugal	(Es)	297.032	-0.626	859 - 205	297.854	294.763	296.276	3.1	294.698	3.1	287.898	3.1	91.9
Spain	(Pta)	246.236	-0.474	128 - 344	246.410	244.350	245.614	3.0	244.363	3.0	238.882	3.0	76.9
Sweden	(SKr)	12.5478	-0.0074	357 - 598	12.5698	12.4657	12.5182	2.8	12.4609	2.8	12.2411	2.4	87.1
Switzerland	(SFr)	2.4137	-0.0014	124 - 150	2.4166	2.3915	2.4018	5.9	2.3786	5.8	2.287	5.3	105.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.1
Ecu	-	1.4724	-0.0032	714 - 733	1.4733	1.4629	1.4685	3.2	1.4609	3.1	1.4286	3.0	-
SDR†	-	1.219120	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6305	-0.0032	299 - 310	1.6312	1.6201	-	-	-	-	-	-	-
Brazil	(R$)	1.8703	-0.0044	695 - 710	1.8710	1.8594	-	-	-	-	-	-	-
Canada	(C$)	2.3617	+0.0041	605 - 628	2.3628	2.3485	2.3567	2.5	2.3476	2.4	2.3154	2.0	81.6
Mexico	(New Peso)	13.8651	-0.059	551 - 750	13.8841	13.8058	13.999	-11.6	14.2808	-12.0	15.5858	-12.4	-
USA	($)	1.6307	-0.0033	302 - 312	1.6315	1.6204	1.6282	1.8	1.6237	1.7	1.607	1.5	110.2
Pacific/Middle East/Africa													
Australia	(A$)	2.5977	+0.0005	959 - 995	2.6013	2.5834	2.5927	2.3	2.5821	2.4	2.5388	2.3	83.2
Hong Kong	(HK$)	12.6330	-0.0277	275 - 385	12.6414	12.5540	12.6409	-0.8	12.6668	-1.1	12.9236	-2.3	-
India	(Rs)	66.0923	+1.092	394 - 452	66.3250	64.5420	-	-	-	-	-	-	-
Israel	(Shk)	5.9834	-0.0079	755 - 912	5.9969	5.9755	-	-	-	-	-	-	-
Japan	(Y)	218.612	-0.408	479 - 744	219.060	217.188	217.327	7.1	214.802	7.0	204.252	6.6	115.3
Malaysia	(M$)	6.1690	-0.1803	418 - 782	6.3601	6.0561	6.395	-45.8	6.5393	-24.6	7.1554	-16.2	-
New Zealand	(NZ$)	3.0541	+0.0024	511 - 570	3.0613	3.0394	3.0583	-1.7	3.0669	-1.7	3.0941	-1.3	95.5
Philippines	(Peso)	64.4128	-0.2121	854 - 402	64.8402	63.9854	64.8843	-8.8	65.8512	-8.9	70.1131	-8.8	-
Saudi Arabia	(SR)	6.1161	-0.0123	141 - 180	6.1189	6.0775	6.1093	1.3	6.0971	1.2	6.0538	1.0	-
Singapore	(S$)	2.7017	-0.0051	996 - 037	2.7143	2.6758	2.7205	-8.3	2.7306	-4.3	2.767	-2.4	-
South Africa	(R)	8.2921	-0.0111	871 - 971	8.2971	8.2321	8.3476	-8.0	8.4315	-6.7	8.7578	-5.6	-
South Korea	(Won)	2319.67	+3.47	488 - 446	2324.46	2292.48	-	-	-	-	-	-	-
Taiwan	(T$)	54.5225	-0.1242	650 - 800	54.5800	54.1748	54.6564	-2.9	54.79	-2.0	55.4262	-1.7	-
Thailand	(Bt)	63.1897	-0.5364	072 - 721	63.4650	62.7680	66.4328	-61.6	68.5994	-34.2	74.3255	-17.6	-

† Rates for May 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.5102	+0.0008	063 - 141	12.5280	12.4716	12.488	2.1	12.447	2.0	12.2842	1.8	102.9
Belgium	(BFr)	36.7000	+0.012	800 - 200	36.7200	36.5800	36.6365	2.1	36.514	2.0	36.029	1.8	102.5
Denmark	(DKr)	6.7725	-0.0002	715 - 735	6.7823	6.7540	6.7668	1.0	6.7553	1.0	6.697	1.1	104.3
Finland	(FM)	5.4026	-	996 - 055	5.4101	5.3888	5.3939	1.9	5.3781	1.8	5.3091	1.7	80.3
France	(FFr)	5.9630	+0.0025	625 - 635	5.9687	5.9445	5.9523	2.2	5.932	2.1	5.8516	1.9	105.5
Germany	(DM)	1.7779	+0.0001	774 - 784	1.7802	1.7727	1.7747	2.2	1.7688	2.1	1.745	1.9	103.7
Greece	(Dr)	307.645	-0.655	570 - 720	308.830	306.380	309.42	-6.9	312.57	-6.4	323.445	-5.1	59.7
Ireland	(I£)	1.4161	-0.0088	151 - 171	1.4210	1.4115	1.4149	1.0	1.4142	0.6	1.4241	-0.6	-
Italy	(L)	1752.85	-0.05	240 - 330	1754.60	1748.39	1752.55	0.2	1750.05	0.6	1729.8	1.3	75.7
Luxembourg	(LFr)	36.7000	+0.012	800 - 200	36.7200	36.5800	36.6365	2.1	36.514	2.0	36.029	1.8	102.5
Netherlands	(Fl)	2.0034	+0.0002	030 - 038	2.0064	1.9974	1.9998	2.2	1.9931	2.0	1.9662	1.9	101.8
Norway	(NKr)	7.4538	-0.0054	528 - 548	7.4793	7.4380	7.4444	1.5	7.4283	1.4	7.3726	1.1	95.9
Portugal	(Es)	182.150	-0.015	100 - 200	183.430	181.880	181.96	1.3	181.504	1.4	179.15	1.6	92.5
Spain	(Pta)	151.000	+0.015	980 - 020	151.240	150.600	150.845	1.2	150.502	1.3	148.855	1.8	78.7
Sweden	(SKr)	7.6947	+0.011	897 - 997	7.7059	7.6710	7.6881	1.0	7.6746	1.0	7.6172	1.0	87.6
Switzerland	(SFr)	1.4802	+0.0022	798 - 805	1.4818	1.4729	1.4751	4.1	1.4649	4.1	1.4231	3.9	105.9
UK	(£)	1.6307	-0.0033	302 - 312	1.6315	1.6204	1.6282	1.8	1.6237	1.7	1.607	1.5	103.2
Ecu	-	1.1076	+0.0002	072 - 079	1.1098	1.1064	1.1089	-1.4	1.1114	-1.4	1.1249	-1.6	-
SDR†	-	0.74455	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1469	-0.0004	468 - 470	1.1473	1.1468	-	-	-	-	-	-	-
Canada	(C$)	1.4483	+0.0054	480 - 485	1.4516	1.4447	1.4474	0.7	1.4459	0.6	1.4408	0.5	82.1
Mexico	(New Peso)	8.5025	-0.019	990 - 060	8.5060	8.4930	8.5975	-13.4	8.7955	-13.8	9.6985	-14.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.9
Pacific/Middle East/Africa													
Australia	(A$)	1.5930	+0.0036	924 - 936	1.5962	1.5840	1.5922	0.6	1.5896	0.9	1.5789	0.9	83.3
Hong Kong	(HK$)	7.7470	-0.0013	460 - 480	7.7480	7.7460	7.7635	-2.6	7.8015	-2.8	8.042	-3.8	-
India	(Rs)	40.5300	+0.75	100 - 500	40.7500	39.5500	-	-	-	-	-	-	-
Israel	(Shk)	3.6692	+0.0026	655 - 729	3.6786	3.6655	-	-	-	-	-	-	-
Japan	(Y)	134.060	+0.02	020 - 100	134.580	133.600	133.47	5.3	132.295	5.3	127.1	5.2	116.6
Malaysia	(M$)	3.7775	-0.1028	675 - 875	3.9000	3.7275	3.9275	-47.7	4.0275	-26.5	4.4525	-17.9	-
New Zealand	(NZ$)	1.8728	+0.0052	716 - 741	1.8797	1.8674	1.8759	-2.0	1.8813	-1.8	1.9001	-1.5	-
Philippines	(Peso)	39.5000	-0.05	500 - 500	39.7500	39.2500	39.849	-10.6	40.5575	-10.7	43.629	-10.5	-
Saudi Arabia	(SR)	3.7506	+0.0001	505 - 506	3.7506	3.7505	3.7521	-0.5	3.7551	-0.5	3.7671	-0.4	-
Singapore	(S$)	1.6568	+0.0003	560 - 575	1.6640	1.6430	1.6708	-10.1	1.6818	-6.0	1.7218	-3.9	-
South Africa	(R)	5.0850	+0.0035	835 - 865	5.0895	5.0715	5.1267	-9.8	5.193	-8.5	5.4497	-7.2	-
South Korea	(Won)	1422.50	+5	000 - 500	1425.00	1405.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.4350	-0.0095	100 - 600	33.4600	33.3800	33.5675	-4.8	33.745	-3.7	34.49	-3.2	-
Thailand	(Bt)	38.7500	-0.25	500 - 500	39.6500	38.6000	40.8	-63.5	42.25	-36.1	46.25	-19.4	-

† SDR rate per $ for May 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 13: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	5	[illegible]	[illegible]	6.50	5.00	5.83
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.44	5.47	5.53	5.61	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

LONDON MONEY RATES

EMS EUROPEAN CURRENCY UNIT RATES

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
92625	0.010			0.135		
92750	0.005	0.050	0.155	0.255	0.200	0.155
92875	0			0.375		

Est. vol. total, Calls 27804 Puts 16161. Previous day's open int., Calls 392280 Puts 267605

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Bank	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association

* In administration

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
95125	0.155			0.040		
95250	0.070	0.510	0.680	0.080	0.020	0.030
95375	0.035			0.170		

Est. vol. total, Calls 3104 Puts 3800. Previous day's open int., Calls 331808 Puts 292558

COMMODITIES & AGRICULTURE

Further gold supply jump seen as unlikely

By Kenneth Gooding, Mining Correspondent

The big increase in gold supply in 1997 – which pushed the US dollar price down to its lowest for 25 years, adjusting for inflation – is unlikely to be repeated this year, according to the Gold Fields Mineral Services consultancy.

Supply from central bank sales, producer hedging and selling by speculating investment funds more that doubled last year to 1,179 tonnes, said GFMS in its latest annual gold market survey. This helped take total supply to a record 4,254 tonnes.

Meanwhile, demand in east Asia was hit by the economic crisis in the second half of 1997 and "the price had to fall very steeply in order to stimulate sufficient physical off-take, primarily in other parts of Asia, to balance the market," said Stewart Murray, managing director of GFMS.

The low price encouraged jewellery makers to use record amounts of gold – 3,328 tonnes against 2,837 in 1996 – as well as causing a jump in purchases of gold bars to levels not seen since the late 1980s.

Last year, central bank net sales contributed 406 tonnes to supply, up from 275 tonnes in 1996 but below the record 622 tonnes in 1992. Mr Murray said central banks would continue selling this year.

Hedging by producers had probably reached "saturation point" in Australia. There were other parts of the world, however, where producers might consider themselves to be underhedged, "but we don't expect so much hedge selling this year," he said.

Forward sales by producers last year added 329 tonnes to supply, up from 30 tonnes, while option hedging contributed 184 tonnes, compared with 101 tonnes.

Newly mined gold supply, which increased to a record 2,464 tonnes last year from 2,357 tonnes, was likely to fall in 1998, he suggested.

As for demand, although the worst of gold scrap disposal in east Asia was over, the full impact of the economic crisis in the region was still to be felt.

The Middle East relied on oil for its wealth and present low oil prices would hit demand in that region. Another year of booming equity markets would also be bad for the gold price.

● After 31 years producing the gold industry's statistical "bible," GFMS is to become an independent organisation, owned by its managers, Mr Murray announced. The present shareholder, GFSA, the South African group, will relinquish control next year.

Alan Wright, chairman, said many of the companies and individuals that supplied GFMS with confidential information had become worried about rapid ownership changes in the South African gold mining industry. "It was brought home to them that anyone might end up owning GFMS."

An independent GFMS could sell its long-term gold price forecasts to other companies, said Mr Wright. GFSA had not interfered with GFMS editorial policy but had insisted it was the only group given this information.

Gold 1998, from GFMS, Greencoat House, Francis Street, London SW1P 1DH, UK, or www.gfms.co.uk/gfms. £120 or US$195.

World gold supply and demand

Tonnes	1994	1995	1996	1997
Supply				
Mine production	2,276	2,278	2,357	2,464
Official sector sales	[illegible]	172	275	406
Implied disinvestment	172	–	168	[illegible]
Total supply	[illegible]	[illegible]	[illegible]	4,254
Demand				
Jewellery	[illegible]	[illegible]	2,837	3,328
Total fabrication	[illegible]	[illegible]	[illegible]	[illegible]
Bar hoarding	[illegible]	[illegible]	[illegible]	[illegible]
Total demand	[illegible]	[illegible]	[illegible]	4,254

Source: Gold Fields Mineral Services

Concern over Indonesia lifts coffee

MARKETS REPORT

By Gary Mead, Kenneth Gooding and Robert Corzine

Concern over possible disruption to Indonesia's robusta coffee exports pushed coffee futures 5.4 per cent higher on the London International Financial Futures Exchange yesterday.

The July contract finished the morning session $41 higher at $1,915 a tonne, though volumes were still relatively low, at 2,309 lots.

However, the afternoon's business was much more active, with another 4,694 lots changing hands, and the July contract ended the day at $1,980, up more than $106 from the previous close.

In addition to the nerves over Indonesian supply, trade buyers – who dominated yesterday's business – are anxious that drought might affect supply from Vietnam, the world's other big robusta producer.

The Association of Coffee Producing Countries meets in London next week, where the Indonesian situation will be under discussion, as will the ACPC's export quota system.

The broker ED&F Man yesterday revised its forecast for the global cocoa deficit for 1998-99, increasing it to 200,000 tonnes from an earlier projection of 100,000 tonnes to 150,000 tonnes, because of low rainfall in Brazil, Ecuador and West Africa, which it said was affecting pod development.

On Liffe the July contract moved £6 higher to close at £1,150. Volume was higher than in recent days, at a total of 9,099 lots.

On the London Metal Exchange the price of tin for delivery in three months increased by $80 a tonne, or nearly 1.5 per cent, to $5,780, helped by optimistic sentiment at Metal Bulletin's annual tin conference in Phuket, Thailand.

Martin Squires, analyst at Rudolf Wolff, told the conference he expected the price to reach $6,300 to $6,500 in the next three months. Then China was likely to increase exports from its strategic stocks. For 1998 as a whole, Wolff is forecasting an average tin price of $5,750 a tonne, compared with $5,395 in the first four months.

Neil Banks, the LME's director of operations, announced that the exchange had budgeted £2.5m for an electronic metal warrant storage system, called SWORD, which would be introduced, metal-by-metal, from April next year.

The London oil market was characterised by generally thin but volatile trading yesterday as the bellwether futures contract expired.

Brent Blend for June delivery was quoted at $14.91 a barrel in late trading on the International Petroleum Exchange, up 23 cents on Wednesday's close.

However, the July contract, which replaces it today, was quoted at $14.65 a barrel, up only 10 cents on Wednesday's close.

Conflicting factors have affected crude prices over the past week. There has been a series of reports from the Damascus meeting of the Organisation of Arab Petroleum Exporting Countries suggesting that leading exporters are prepared to make additional cuts in order to drive prices higher.

However, the positive factors have been offset by suggestions that any cuts in production will only materialise at next month's meeting of the Organisation of Petroleum Exporting Countries.

Tobacco protest in Zimbabwe

By Tony Hawkins in Harare

Hundreds of Zimbabwe's tobacco growers are expected to call for measures to offset the effects of low prices at a protest at Harare's main tobacco auction floor today.

The growers argue that current prices are below their break-even point and say the 44 per cent slump in prices this season cannot be explained by supply and demand alone. They maintain that much of the fall has been caused by merchants exploiting the current situation.

In recent days the president of the Zimbabwe Tobacco Association has called on the government to drop a 5 per cent turnover tax on tobacco sales, to allow duty-free imports of capital equipment, and to consider closing the auction floors should prices fail to improve.

Prices have been particularly affected by the Asian crisis, a 13 per cent rise in output last year, large stocks in the hands of manufacturers and the heavy burden of health settlement costs on US manufacturers.

So far this year, 15 per cent of the crop, estimated at some 205m kg, has been sold. The price currently averages 127 cents a kg, compared with 225 cents at a similar stage last year. Growers say their break-even level is around 180 cents a kg.

Buyers say prices should pick up when the better quality tobacco leaf comes to auction over the next two months, but if prices fail to respond, the growing industry faces a severe shake-out.

Tobacco is Zimbabwe's leading export, accounting for more than a quarter of export earnings.

At the start of the season, the industry was hoping to earn at least 200 cents a kg or $410m. However, present indications suggest that gross earnings will be down to $320m and exports, after allowing for value-added, to $400m from $550m in 1997.

Mitsubishi joins Mozal project

By Kenneth Gooding, Mining Correspondent

Participants launch the Mozal project, the largest single investment ever in Mozambique

Mitsubishi Corporation, the Japanese trading group, yesterday emerged as the third partner in the Mozal aluminium project in Mozambique as Billiton, the London-listed mining company that is its leading shareholder, gave the go-ahead for the $1.17bn smelter.

Billiton said construction had already begun on the 250,000 tonnes a year smelter, located near the deep water port of Maputo.

It added that the first aluminium would be produced early in 2001 and that the smelter should be operating at full capacity six months later.

Dave Munro, a Billiton executive director, said the smelter would be doubled in size when market conditions permitted. Global aluminium demand, 21m tonnes last year, was growing at 2.4 per cent a year, he suggested, leaving room for an additional 500,000 tonnes of new production capacity.

Mozal will be the single biggest project investment made in Mozambique and the largest investment world-wide in fiscal 1997 for the International Finance Corporation, the private financing arm of the World Bank that is providing some of the $820m of debt finance.

Billiton will be the biggest equity investor in the project, contributing 47 per cent, or $245m. Mitsubishi will hold 25 per cent, for $130m, and the South African government-owned Industrial Development Corporation (IDC), 24 per cent for $125m. The government of Mozambique will have the remaining 4 per cent, for a contribution of $20m.

All the partners, except the government, will be entitled to buy a percentage of the smelter's output equivalent to their shareholdings.

The smelter will add 10 per cent to Billiton's aluminium production capacity, which was boosted to 1m tonnes a year by the 1996 completion of the $1.2bn Hillside smelter in Richards Bay, South Africa. Mr Munro said the group also hoped to win the international tender for Venezuela's state-owned aluminium business.

Billiton has a 10-year contract to supply Mozal's alumina, the raw material for aluminium, from Australia. It is also negotiating to supply the 10,500 tonnes of aluminium required for the construction and to trade the IDC's share of the output.

Mozal has negotiated a "favourable" contract until 2025 with Eskom, the South African power supplier.

In the first six years this will enable the smelter to break even on a cash basis at aluminium prices between $750 and $800 a tonne, compared with yesterday's $1,375 on the London Metal Exchange. It will pay tax of only 1 per cent of turnover for the life of the project.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1345-46	1372-73
Previous	1359.5-60.5	1387-88
High/low		1388/1369
AM Official	1352-2.5	1379.5-80.5

■ ALUMINIUM ALLOY ($ per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	299.0	+0.7			–	–
Jun	299.7	+0.5	299.9	295.9	34,994	64,895
Aug	301.9	+0.5	302.3	298.1	2,079	14,119
Oct	304.0	+0.5	303.5	301.0	159	5,999
Dec	306.0	+0.5	305.5	302.1	670	18,118
Feb	307.7	+0.5	306.5	306.0	15	9,157

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS IPE

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	76.50	-1.50	77.25	77.25	114	134
Jul	77.90	-1.50	79.90	77.90	213	1,712
Sep	78.00	–	78.00	78.00	–	155
Nov	80.00	–	80.50	80.00	129	3,251
Jan	82.00	–	82.50	81.85	16	682
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (100 tonnes; £ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $ per ton)

■ POTATOES LIFFE (20 tonnes; £ per tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

PULP AND PAPER

■ PULPEX

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1132	+8	1135	1128	54	137
Jul	1150	+6	1160	1145	4,898	30,580
Sep	1170	+6	1180	1168	1,521	21,877
Dec	1167	+5	1195	1186	622	31,727
Mar	1204	+3	1213	1205	1,827	37,602
May	1217	+2	1226	1219	153	13,213

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

INDICES

■ Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Base: 1967 = 100)

■ GSCI Spot (Base: 1970 = 100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	67.200	+0.350	67.500	66.725	9,204	38,184
Aug	68.475	+0.300	68.750	68.000	3,941	27,159
Oct	68.425	+0.250	68.625	68.150	1,821	14,792
Dec	69.450	+0.225	69.625	69.200	691	5,582
Feb	70.350	+0.100	70.500	70.200	401	2,056
Apr	71.375	+0.075	71.525	71.325	13	558

■ LEAN HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LIFFE

■ COCOA LIFFE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ NATURAL GAS (Pence/therm)

■ OTHER

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

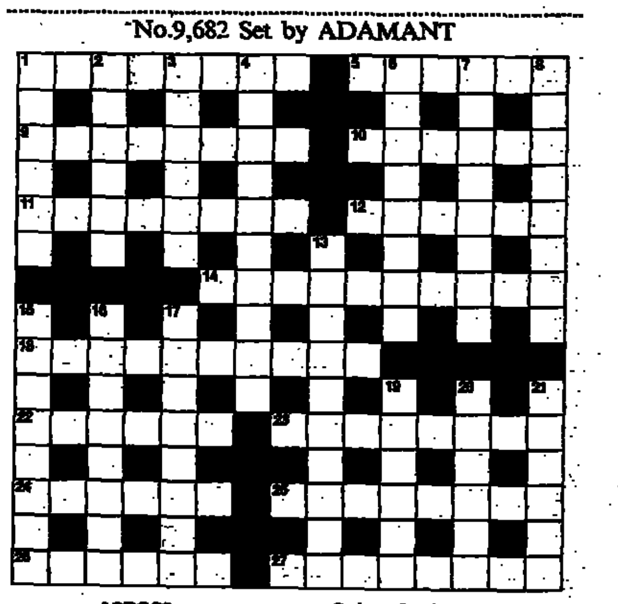
FUTURES DATA

All futures data supplied by CMS.

JOTTER PAD

CROSSWORD

No.9,682 Set by ADAMANT



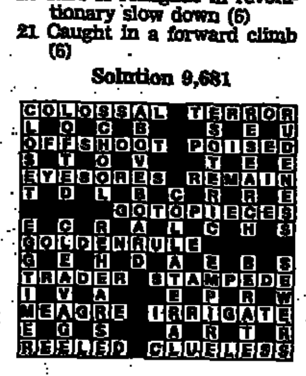
ACROSS

1 Exchequer attempt to conceal a sure fiddle (8)
5 Fighting back in the streets and tubes (6)
9 Yet interchanges provide endless time (8)
10 Going off to outskirts of Rutland where one can get lost in the interior (6)
11 Soldiers became sour and came back (8)
12 No resting place to accommodate the Spanish cat (6)
14 Did it provide early media opportunity to spout hot air? (5,5)
15 Put rum into can? It's strangely lacking in sentimental appeal (10)
22 One who adds to the season (6)
23 Associates hit back at stern treatment (8)
24 Drew back about European Community fraud (6)
25 Sue set fire to one entrance (8)
26 Puzzle to sift through (6)
27 Was present when leaders of all three trials finished (8)

DOWN

1 Speculation on the old railway (6)
2 Throws out imperfect articles? Not right! (6)
3 More than one tabloid uninteresting (6)
4 Going back and making fresh diplomatic approaches (10)
6 They make progress on lines already laid down for them (8)
7 A touch of honour (8)
8 Treachery is the second issue (8)
13 Successful investor might put London first (10)
15 A non-member is routed differently (8)
16 Smirked at stern visaged fellow being thrown out (8)
17 Put in danger about a beard (8)
19 Make an effort to replace the rivets (6)
20 Rise of renegade in revolutionary slow down (6)
21 Caught in a forward climb (6)

Solution 9,681



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

BT Fund Managers (Ireland) Ltd (x)

[illegible]

Lazard Investment Funds Ltd - Contd.

[illegible]

Tilney (Ireland) Ltd

[illegible]

Baring Mutual (Ireland) Ltd

[illegible]

Frank Russell Investments (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

ABN AMRO Global Liquidity Funds Plc (x)

[illegible]

Frank Russell Investments - Contd.

[illegible]

Kim Europe Worldwide Fund

Kim Far East Fund Plc

Kim Korea Fund Plc

Korea Active

Korea Balanced Return Fund

Korea Bond Fund Plc

Korea CB Fund Plc

Korea Capital Growth Fund

[illegible]

Warburg Pincus Funds Plc

[illegible]

Yamaichi Samsung Dynamic Korea Fund

Yield Korea Fund

Yield Taiwan Fund

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

[illegible]

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (x)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

Frontrunner I (x)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Eurolife Assurance Group

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Premier Life				
7 Rue Emile Reuter, Luxembourg Tlx 2808 Tel 4050751				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Professional Investment Consultants				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal & Sun Alliance Intl Financial Services				
Royal Court, Athey Rd, Castletown IoM 01624 821212				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Skandia Life Assurance Ltd (z)				
01624 611611				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Arnhold and S. Bleichroeder, Inc				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asia Pacific Securities Corp Ltd				
[illegible]	$8.79			
Asian Convertibles & Income Fd (Cayman)				
NAV May 7	$11.29			
Atlantico Investment Ltd				
[illegible]	$107.81			
Atlantic Investment Management, Inc				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlantic Fund Management (Guernsey) Ltd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlas Management Limited				
Managed	$10.09	10.59		
Atlas Real Estate Hedge Fund Limited				
NAV Apr 30	$110.4			
Aurum Funds				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BEA Associates				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Julius Baer Bank & Trust Co Ltd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Crosby Asset Management Ltd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Asset Management				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Adwest	♣N	153½	—	154	97	19	5.1	12.0
Airflow Stream	♣	218	+11½	218	150	128	4.5	15.7
Automotive Prods		254xd	...	115	14½	—	10.5	5.9
Avon Rubber	♣N	685	...	725	565	—	3.3	13.4
Britax Intl	♣N	167	—	168	96	52	3.4	18.2
Bostrom		302½xd	—	345	275	—	3.0	10.9

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£19.2	[illegible]	*£19½	£21½	-	3.6	10.4
Barlow R		652	+3	887	544	-	2.8	13.8
Gold Flds Prop R		144½	+2½	197	98½	-	5.4	13.4
SA Breweries R		£18½	[illegible]	£23½	£13½	-	2.1	ф
Standard Bank R		£36½	+½	£35½	£22½	-	1.5	-
Tiger Oats		930	+5	1160	780	-	2.8	17.9
Tongaat-Hulett R		729½	+2	780	563	-	2.3	15.8

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£580[illegible]	—	£61200	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-price/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Intra incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: , ex dividend; , ex scrip issue; , ex rights; , ex all; , ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1465 a year for each security shown, subject to the Editor's discretion.

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FT Company Focus / Focus Plus

Please note that FT Company Focus/Focus Plus reports ceased to be available as from May 4th 1998. However ShareFinder company reports, incorporating current and historic financial information, key performance data and consensus recommendations, may still be purchased by calling 0870 601 4500.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

Leaders finish lower but well above their worst

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A big tussle between the *market's bulls and bears* lasting most of the morning saw the latter emerge on top yesterday, with early weakness on Wall Street adding to the market's unease.

The US reacted to the Hewlett-Packard profit warning and core inflation higher than the consensus estimate. At its worst in London trading hours the Dow Jones *Industrial Average was off* nearly 100 points.

But the bears in London only got their way with the leaders; the market's second and third-line stocks, represented by the FTSE 250 and SmallCap indices, maintained their progress to hit record intra-day and closing highs.

The FTSE 250 took a determined run at the 5,800 level but then faltered. Nevertheless, the index settled 6.7 ahead at a record intra-day and closing high of 5,795.6, its fifth straight advance.

The performance of the FTSE SmallCap was just as *impressive, with the index* registering its twelfth con*secutive gain. It finished 5.5* up at a record closing high of 2,749.2, having hit a peak of 2,749.5.

The overpowering influence of the FTSE 100 constituents left the FTSE All-Share index 7.8 lower at 2,819.2. The FTSE 100, meanwhile, closed an erratic trading session 24.4 lower at 5,948.5, having dropped to a session low of 5,896.6 at its worst, minutes after Wall Street opened.

Leading stocks managed to make modest progress at the outset, with the bulls *pointing to Wall Street's rise* on Wednesday, which saw *the Dow move up more than* 50 points to its first close above the 9,200 level.

But news of more rioting in Indonesia and worries about interest rates both in the UK and in the US continued to nag away at the market's confidence, which eventually cracked decisively on the downside in late morning.

Dealers insisted that the selling pressure in the FTSE 100 constituents was never substantial. "The market is very choppy and it's all to do with the interest rate concerns: but it doesn't feel excessively weak, if any*thing it feels* sound underneath," said a senior trader at one of the big European stockbrokers.

Worries about delays to a possible cut in UK interest rates were revived on Wednesday after news of a much higher-than-expected increase in average earnings in February and unit wage costs in the March quarter.

There was more takeover news in the smaller companies arena with Arlen, an electrical engineering group, revealing it had received a number of approaches.

But it was not all positive news in that area, with more profit warnings arriving on the scene after the four that were announced on Wednesday.

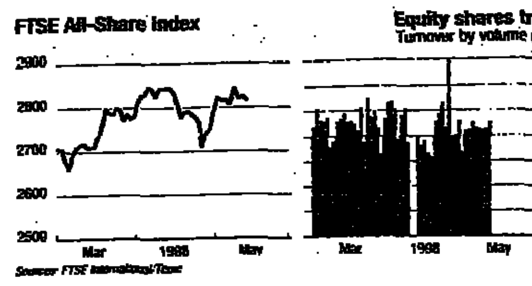
The technical analysis team at Merrill Lynch said: "With much of the UK market overbought on medium; longer-term criteria, the laggard groups are finally starting to benefit from momentum upturns."

Merrill picks out the media, building materials, diversified industrials, distributors, E&P oils, and paper and packaging as attractive.

Turnover in equities at 6pm was 926.5m shares.

FTSE All-Share Index

Equity shares traded Turnover by volume (millions)



Source: FTSE International/Teser

Indices and ratios

FTSE 100	5948.5	−24.4	FT 30	3902.5	+3.0
FTSE 250	5795.6	+6.7	FTSE Non-Fins p/e	23.56	23.22
FTSE 350	2884.8	−8.9	FTSE 100 Fut Jun	5947.0	−52.0
FTSE All-Share	2819.21	−7.79	10 yr Gilt yield	5.97	5.95
FTSE All-Share yield	2.78	2.78	Long gilt/equity yld ratio	2.15	2.15

Best performing sectors

1. Gas Distribution +2.8
2. Oil Exploration & Prod +2.1
3. Paper, Pckg & Print +1.3
4. Media +1.3
5. Water +1.2

Worst performing sectors

1. Extractive Inds −2.3
2. Insurance −1.9
3. Electronic & Elec −1.4
4. Diversified Inds −1.3
5. Life Assurance −1.2

Value boost for Reed

COMPANIES REPORT

By Peter John and Martin Brice

Reed International may have had a horrible year but some analysts are beginning to feel it is time for forgiveness.

Panmure Gordon's Lorna Tilbian put the case that, not only has the stock underperformed the broad market by 30 per cent, it is also at a 36 per cent discount to her estimated fair value target.

The disparity is highlighted in the broker's latest monthly valuation update for the sector. Its current sum-of-the-parts total for Reed now stands at 749p, up on the previous month partly because of the improved currency background.

Yet, *with the shares still* reeling from write-downs relating to its travel group, the failed Wolters Kluwer merger, a strong pound and some pricey acquisitions, they were languishing at 550p at the open.

Ms Tilbian said: "Everything that could go wrong with this company has gone wrong. But we are living in the information age and this is the world's biggest supplier of business information."

Not all analysts are quite so confident. Neil Junor at BT Alex Brown acknowl*edges that the stock looks* reasonable in trading terms, but remains "apathetic" about it overall. "In fundamentals the stock would do well to overcome the scepticism of the market," he said. The shares blipped up 10 to 560p.

Water stocks were strong in marked contrast to the general trend away from currency-defensive plays as sterling weakened.

Severn Trent rose 9 to 934p and **Thames Water** 28 to 955p as Credit Lyonnais *Securities reiterated its* strong support for the sector in general and those two stock in particular.

Analyst Angela Whelan said there was 25 per cent upside in share prices across the sector and they would begin to outperform once the results season got under way on May 27.

She believes that the stocks offer 8 per cent average real dividend growth.

News that **Billiton**, the mining group is to invest £250m in a joint project with Mitsubishi and the Industrial Development Corp of South Africa failed to help the shares.

The Mozal project, a big aluminium smelter near Maputo, will be the biggest single-project investment ever made in the country. But Billiton shares fell 4 per cent as they reacted to Wednesday's annual meeting statement from **Rio Tinto**.

Both companies are heavily exposed to Asia, and Rio's chairman said that *uncertainties remained* concerning economic prospects for most of Asia and that the Japanese economy, which accounts for 60 per cent of Asian GDP, looked very fragile. Billiton ended 6½ off at 168p and Rio 18½ off at 840½p.

Enterprise Oil advanced 22 to 597p on Gulf of Mexico *drilling prospects and in* response to Morgan Stanley's recent strong recommendation.

Other oils were also up against the trend and against the slightly softer underlying oil price. **BP** rose 1½ to 968½p and **Lasmo** 9½ to 291p.

Well-received first-quarter results from **BG** took some time to filter through to the share price because investors were more interested in the overseas earners.

But by the end of the day, the rise in historic cost profit to £524m from £514m in spite of the impact of warmer weather, saw the shares climb 11¼ to 335¼p.

Colt Telecom, floated at 275p in December 1996, rose 227½ to £19.40 as it continued to benefit from the aftermath of strong results.

Recent strength in the price is also attributed to the potential of a bid for the loss-making company, which builds fibre-optic networks at European business centres.

BAA gains

Strong traffic figures from *airports operator* **BAA** prompted a 12½ gain to 640p. It said passenger traffic at its seven UK airports rose 9.8 per cent in April from a year earlier.

Short-haul European charter traffic rose by 21.9 per cent and North Atlantic services by 11.3 per cent.

Micro Focus announced *that it had more than dou*bled first-quarter pre-tax profit from £2m to £5m and the shares rose 70 to 645p. Dresdner Kleinwort Benson reiterated its 800p price target on the stock and its FTSE 250 team has highlighted the company as a recovery and business transformation play.

There was also strength among other members of the information technology sub-sector, which has outperformed the FTSE All-Share by 35 per cent since its creation in January. **Admiral** rose 25 to £11.07½.

Sema gained 15 to £23.37½p after it announced it was to design and install a data network for French bank Société Générale's network of 2,000 branches. *Financial details were not* disclosed but it is known the deal is worth about £50m.

First-day trading in retailer **Matalan** saw the shares rise from 235p to 275½p, helped by a note from Charterhouse Tilney that described the company as "a genuine growth stock with strong earnings per share increases driven by excellent returns on new space".

Scottish Radio gained 10 to 499p after strong results and director share buying.

Reuters, the news and *financial information group* heavily exposed to overseas earnings, continued its recovery as sterling weakened further. The shares, consolidating a gain of 10 per cent over the past seven trading days, closed 28 higher at 709p.

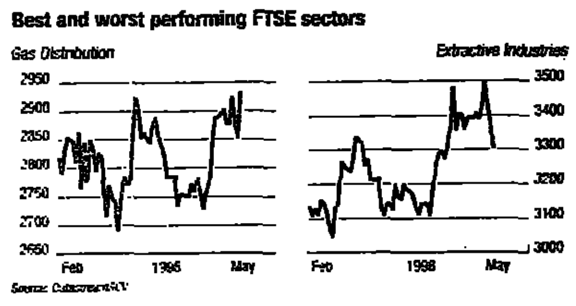
Standard Chartered fell 22½ to 806p in further reac*tion to yesterday's down*grading by Dresdner Kleinwort Benson.

Glaxo Wellcome ended the day firm at £17.07 as the stock responded to an improved recommendation from JP Morgan. The US broker upgraded its stance from "market performer" to "buy" and increased its price target *by 50p to £19.00.*

Trust Motor said after the market closed that it had received a new separate approach after talks on a possible offer had failed last week. The shares gained 2 to 181p

Horace Clarkson was up 12 at 117½p as it said it had rejected a possible offer, but after the market had closed fellow shipbroker **Charles Taylor** said it was behind the approach, which could lead to an offer at 130p a share.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	May 14	May 13	May 12	May 11	May 8	Yr ago	*High	*Low
FT 30	3902.5	3899.5	3886.7	3920.3	3892.0	3013.6	3920.3	3970.4
Ord. div. yield	2.80	2.80	2.81	2.79	2.82	3.63	4.22	2.79
P/E ratio net	25.31	25.29	25.23	25.41	25.19	18.29	25.41	15.20
P/E ratio nil	25.08	25.07	25.00	25.19	24.95	16.10	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3899.5	3899.1	3902.6	3897.7	3889.7	3884.0	3881.3	3875.3	3877.3	3907.8	3870.4

 *For 1998

STOCK MARKET TRADING DATA

	May 14	May 13	May 12	May 11	May 8	Yr ago
SEAQ bargains	63,104	63,063	62,102	69,985	60,487	51,311
Equity turnover (£m)†	-	2886.1	2940.6	2829.6	4081.6	2872.3
Equity bargains†	-	48,630	51,346	53,110	81,039	57,432
Shares traded (m)†	-	728.1	775.3	752.6	1024.9	791.5
Total market bargains‡	-	62,838	61,646	63,238	93,296	-
Total turnover (£m)‡	-	3980.7	3917.1	3721.1	5710.5	-
Total shrs traded (m)‡	*926.5	954.3	1008.8	941.6	1338.7	-
Tradepoint turnover (£m)	35.8	25.2	25.6	70.1	39.2	2.4
Tradepoint shrs traded	8,049	8,122	7,160	14,490	7,083	665

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	880	Total Highs	255	Total contracts	35,554
Total Falls	699	Total Lows	31	Calls	18,983
Same	1,421			Puts	16,571

May 14 *Data based on Equity shares listed on the London Share Service

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6013.0	5947.0	-52.0	6019.0	5926.0	26332	158690
Sep	6028.5	6023.5	-52.0	6028.5	6026.5	600	10781
Dec	-	6108.0	-52.0	-	-	-	250

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5813.0	5818.0	+2.0	5813.0	5813.0	1	6381

FTSE 100 INDEX OPTION (LIFFE) (*5919) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

	May 14	% chg on day	May 13	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	1234.30	-1.8	1256.14	1596.37	1.97	-	1596.37	891.23
Regional Indices								
Africa (14)	1333.71	-3.0	1374.98	1864.25	4.05	29.57	1864.25	921.78
Australasia (7)	1396.91	-2.5	1432.75	1817.55	2.40	19.93	1823.74	930.63
North America (11)	1176.74	-0.2	1174.92	1467.88	1.05	45.49	1574.16	864.85

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — Produced in conjunction with the Faculty and Institute of Actuaries — **The UK Series**

	May 14	Day's chge%	May 13	May 12	Year ago	Gross yield%	Net yield%
FTSE 100	5948.5	−0.4	5972.9	5956.7	4681.2	2.77	2.34
FTSE 250	5795.6	+0.1	5788.9	5779.7	4521.9	2.82	2.37
FTSE 250 ex IT	5850.8	+0.1	5843.2	5833.9	4538.0	2.89	2.44
FTSE 350	2884.8	−0.3	2893.7	2886.5	2266.7	2.78	2.34

[illegible]

FTSE Actuaries Industry Sectors

[illegible]

Hourly movements

[illegible]

TRADING VOLUME

Major Stocks yesterday.

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

AMERICAS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY 13 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 12 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	203.76	-1.3	184.88	172.64	188.33	215.40	-0.6	3.66	208.43	187.27	174.84	190.46	216.62	243.87	190.26	231.43
Austria (23)	241.44	-0.4	219.07	204.57	223.15	223.02	-0.2	1.47	242.41	219.91	205.08	223.68	223.54	242.41	181.60	192.12
Belgium (26)	338.86	1.2	307.46	287.11	313.19	308.59	1.4	2.36	334.88	303.80	283.30	308.97	302.34	338.86	234.33	248.48
Brazil (26)	235.20	-0.4	213.41	199.28	217.39	496.71	-0.3	1.99	236.16	214.24	199.78	217.89	498.07	322.44	184.94	256.86
Canada (120)	245.76	-1.1	222.99	208.23	227.15	256.78	-0.3	1.56	248.40	225.35	210.14	229.18	257.59	248.78	199.10	199.34
Denmark (34)	503.56	-1.0	456.90	426.66	465.42	463.85	-0.8	1.30	506.64	461.43	430.30	469.29	467.66	521.81	375.32	380.29
Finland (28)	446.50	-0.6	405.13	378.31	412.68	508.26	-0.4	1.80	449.00	407.33	379.85	414.26	508.09	451.12	267.38	267.38
France (79)	319.66	0.4	290.04	270.85	295.45	298.88	0.5	1.97	318.53	288.97	269.47	293.89	297.34	319.93	213.42	227.44
Germany (58)	290.19	1.1	263.30	245.87	268.21	268.21	1.2	1.23	287.12	260.47	242.90	264.91	264.91	290.93	204.89	212.53
Greece (37)	280.01	2.1	254.07	237.25	258.80	618.84	2.1	1.49	274.27	248.82	232.03	253.06	606.18	298.79	264.68	–
Hong Kong, China (68)	286.05	-4.1	258.54	242.36	264.36	284.55	-4.1	5.59	298.19	270.51	252.28	275.12	296.68	580.03	262.93	493.82
Indonesia (27)	30.49	-23.4	27.66	25.83	28.18	211.35	-8.4	3.34	39.79	36.10	33.66	36.71	230.69	254.90	27.67	238.50
Ireland (16)	551.68	1.1	500.54	467.41	509.87	548.62	1.4	1.77	545.39	494.77	461.39	503.20	541.09	580.44	336.68	346.31
Italy (54)	167.11	-1.4	151.62	141.59	154.45	218.76	-1.3	1.28	169.48	153.75	143.38	156.37	221.55	177.15	86.93	90.11
Japan (486)	93.92	0.0	85.22	79.58	86.81	79.58	0.2	0.99	93.90	85.18	79.44	86.63	79.44	141.12	88.52	129.32
Malaysia (107)	156.07	-3.0	141.61	132.24	144.25	233.24	-3.0	2.97	160.95	146.01	136.16	148.50	240.51	541.84	113.56	529.24
Mexico (29)	1575.53	-1.6	1429.54	1334.92	1456.18	14679.12	-1.2	1.82	1601.07	1452.47	1354.48	1477.21	14864.56	1901.98	1395.63	1410.00
Netherlands (19)	514.45	0.6	466.78	435.89	475.48	470.36	0.8	1.96	511.49	464.02	432.71	471.92	466.85	521.95	368.99	369.56
New Zealand (14)	69.18	-0.5	62.77	58.61	63.94	68.61	-0.2	4.76	69.53	63.07	58.82	64.15	68.73	96.47	69.18	87.49
Norway (38)	343.41	-0.4	311.59	290.97	317.40	347.68	0.1	1.80	344.78	312.78	291.68	318.11	347.45	374.84	281.62	304.80
Philippines (22)	92.53	-3.6	83.96	78.40	85.52	182.38	-2.9	1.14	95.99	87.08	81.21	88.56	187.76	173.10	57.54	157.77
Portugal (18)	278.93	0.1	253.09	236.34	257.80	347.79	0.4	1.09	278.77	252.90	235.84	257.21	346.40	298.39	278.77	–
Singapore (42)	180.96	-5.2	164.19	153.32	167.25	138.14	-4.4	2.17	190.98	173.26	161.57	176.21	144.56	401.75	144.01	399.09
South Africa (43)	317.43	0.0	288.01	268.95	293.38	352.55	0.1	2.53	317.55	288.08	268.65	292.99	352.14	364.24	227.66	362.19
Spain (31)	372.88	-0.9	338.33	315.94	344.64	428.52	-0.8	1.79	376.37	341.44	318.40	347.25	429.73	396.69	236.28	249.45
Sweden (49)	598.71	-1.5	543.24	507.28	553.36	681.03	-0.5	1.72	607.76	551.36	514.16	560.75	684.53	612.15	439.96	443.27
Switzerland (30)	407.07	-0.3	369.35	344.90	376.23	373.00	-0.6	1.08	408.51	370.60	345.60	376.91	375.11	410.80	285.85	286.12
Thailand (39)	22.51	-4.2	20.42	19.07	20.81	34.07	-3.5	8.23	23.49	21.31	19.87	21.67	35.32	69.09	13.10	66.82
United Kingdom (208)	384.22	0.2	348.62	325.54	355.12	348.62	0.2	2.82	383.51	347.92	324.44	353.84	347.92	401.84	283.10	302.04
USA (635)	456.99	0.3	414.64	387.20	422.37	456.99	0.3	1.41	455.70	413.41	385.52	420.45	455.70	462.18	335.79	336.96
Americas (810)	413.60	0.2	375.27	350.44	382.27	349.48	0.2	1.42	412.77	374.46	349.20	380.84	348.66	418.95	307.27	308.15
Europe (748)	358.91	0.1	325.65	304.10	331.73	338.95	0.2	1.98	358.62	325.34	303.39	330.88	338.27	363.50	256.75	261.35
Nordic (140)	526.46	-1.2	477.67	446.06	486.58	527.05	-0.5	1.68	532.62	483.19	450.59	491.42	529.60	536.56	383.97	383.97
Pacific Basin (888)	102.11	-0.7	92.64	86.51	94.37	87.29	-0.4	1.71	102.78	93.24	86.95	94.83	87.66	158.99	95.32	147.56
Euro-Pacific (1617)	209.15	-0.1	189.77	177.21	193.31	182.14	0.0	1.90	209.43	189.99	177.17	193.23	182.10	218.04	172.03	185.03
North America (765)	443.55	0.2	402.45	375.81	409.95	443.55	0.2	1.41	442.57	401.49	374.41	408.33	442.48	448.61	327.60	328.50
Europe Ex. UK (540)	334.41	0.2	303.42	283.34	309.08	323.90	0.2	1.57	334.32	303.28	282.83	308.45	323.25	336.80	230.16	233.82
Pacific Ex. Japan (386)	179.06	0.0	162.47	151.72	165.50	183.55	-2.5	4.28	184.72	167.58	156.27	170.43	188.31	318.98	161.31	304.36
World Ex. US (1833)	213.62	-3.1	193.28	180.49	196.88	189.63	0.0	1.89	213.43	193.62	180.56	196.92	189.54	220.18	175.30	198.23
World Ex. UK (2262)	282.89	-0.2	258.67	239.69	261.46	258.59	0.1	1.50	282.79	256.54	239.24	260.91	258.25	287.02	234.24	236.61
World Ex. Japan (1990)	389.63	0.0	353.55	330.14	360.14	383.08	0.1	1.72	389.44	353.30	329.46	359.32	382.55	394.39	300.17	300.17
The World Index (2470)	291.49	0.1	264.48	246.97	269.41	286.73	0.1	1.64	291.34	264.30	246.47	268.80	266.35	296.57	241.30	242.18

Emerging markets:

IFC investable indices

Dollar terms

May 13 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	1,085.66	-1.8	-4.5
Brazil	455.00	-0.7	-3.8
Chile	571.71	-1.5	-11.8
Colombia	817.78	-0.4	-25.2
Mexico	886.78	-1.4	-12.9
Peru	214.88	-0.5	-4.0
Venezuela	648.17	+2.2	-30.8
East Asia			
China	40.28	-1.9	-27.1
Korea	29.48	-0.3	+18.5
Philippines	131.89	-3.1	+17.8
Taiwan, China	137.81	-1.8	-2.4
South Asia			
India	85.28	-4.1	+2.2
Indonesia	15.89	-24.0	-53.7
Malaysia	86.23	-2.8	-5.4
Pakistan	180.83	-4.1	-23.9
Sri Lanka	133.56	-0.3	+14.9
Thailand	67.13	-3.9	+30.8
Europe/Mideast/Africa			
Czech Rep	58.48	-0.6	+3.2
Egypt	85.17	-1.1	-8.6
Greece	509.39	+2.3	+57.2
Hungary	310.70	-3.5	+1.3
Israel	129.87	+0.7	+6.8
Jordan	230.70	+1.6	-0.8
Morocco	183.56	+0.8	+25.5
Poland	775.80	-2.4	+20.9
Portugal	311.14	+0.2	+47.4
Russia	104.72	-5.5	-39.8
S Africa	222.73	+0.3	+20.9
Slovakia	73.76	-1.2	-25.8
Turkey	305.71	+0.2	-2.1
Zimbabwe	226.83	-0.1	-10.2
Regions:			
Composite	245.62	-1.3	-0.2
Latin America	813.83	-1.1	-8.4
Asia	182.90	-3.2	-4.5
EMEA	188.09	-0.3	-13.8
Europe	284.24	-1.0	+6.3
E. Europe	118.75	-4.2	-18.4
ME & Africa	85.45	+0.3	+10.5

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Mar 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1993; (14)Dec 31 1993; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close May 14

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	May 13	May 12	May 11	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9211.84	9161.77	9091.52	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	104.78†	104.48	104.42	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3442.92	3395.04	3408.96	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	280.43	282.73	282.12	291.18 (2/4)	262.86 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's high 9283.03 (9214.08) Low 9119.67 (9023.51) (Theoretical‡) Day's high 9225.54 (9175.72) Low 9157.03 (9050.88) (Actual‡)

Standard and Poors	May 13	May 12	May 11	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1118.86	1115.79	1108.64	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials¥	1309.20	1304.35	1294.21	1311.46 (22/4)	1077.40 (9/1)	1311.46 (22/4/98)	3.52 (30/6/32)
Financial¥	133.69	133.72	132.17	148.63 (14/4)	110.65 (9/1)	148.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	579.20	578.28	575.27	585.62 (22/4)	487.47 (9/1)	585.62 (22/4/98)	4.64 (25/4/42)
Amex Comp.	742.99	743.58	744.03	758.67 (22/4)	646.41 (12/1)	758.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	1868.18	1860.16	1848.07	1917.81 (22/4)	1503.22 (9/1)	1917.81 (22/4/98)	54.87 (3/10/74)
Russell 2000	477.48	476.13	475.90	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.38 (7/12/93)

■ RATIOS

	May 8	May 1	Apr 24	Year ago
Dow Jones Ind. Div. Yield	1.56	1.54	1.58	1.71

	May 6	Apr 29	Apr 22	Year ago
S & P Ind. Div. yield	1.33	1.35	1.29	1.72
S & P Ind. *P/E ratio	30.66	30.29	31.13	23.33

US DATA

■ MARKET ACTIVITY

● Volume (million)	May 13	May 12	May 11
NYSE	602.450	684.420	580.840
Amex	27.598	26.024	32.959
NASDAQ	730.685	743.289	730.986

■ NYSE TRADING ACTIVITY

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
BayNtwks	14,381,300	27¼	+3⅞
Compaq	9,794,100	31⅞	+¼
PhMorr	8,348,900	37	–⅜
CitsrpGH	6,348,100	20¼	–2⅛
SBC Cm	5,917,580	38	–1½
Chryslr	5,725,900	51⅛	+⅛
Cendnt	5,639,000	24⅞	+⅛
Mtrola	5,488,800	59¾	+3⅞
Ford	4,687,100	48¾	+2¾
GenMtr	4,341,500	75⅛	+2¼

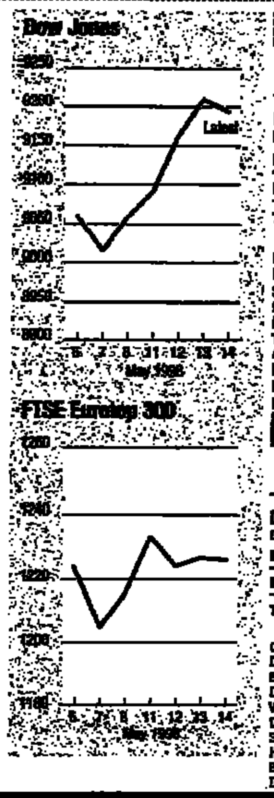
■ NASDAQ TRADING ACTIVITY

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
DellCmp	24,010,100	98¼	+3¾
Micsft	20,170,100	85⅞	+1¼
ApplMat	17,134,600	39½	+1⅛
Intel	13,133,900	84⅞	+¼
Novell	12,701,880	11	+⅛
3Com	10,301,200	30¾	–⅛
WrldCm	8,848,900	43⅛	–⅛
SunMic	8,061,600	43¼	+1⅛
BdBth&B	6,307,100	51⅞	–2⅛
Cephln	5,838,600	11¼	–3¼

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
IntgrCkSy	18¼	+4¼	+30.4
TransWrld	33¾	+3½	+11.5
AEnvrt	16¾	+1⅞	+11.1
Veraign	38¼	+3½	+10.1
Downs			
Cephln	11¼	–3¼	–22.9
LearnTr	18¼	–4¾	–18.6
Symtel	25	–3¼	–11.5
WrldAcss	33¾	–3⅞	–9.9



JAPAN

	May 14	May 13	May 12	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15307.89	15343.81	15322.49	17264.34	14664.44	38915.9	85.25

Day's high: 15448.45. Day's low: 15284.51.

■ TOKYO TRADING ACTIVITY — Volume : 378,808,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Nissan Dsl	19,978,000	910	+47
Nissan Mtr	11,978,000	441	+5
Sakura Bk	6,433,000	405	–4
Fujitsu	6,348,000	1602	+83
Nip Steel	6,084,000	217	–2
Toshiba	5,747,000	609	+1
Asahi Bank	5,605,000	543	+20
Mitsui T&B	5,344,000	312	+8
Fuji Hvy Ind	5,224,000	616	+8
IBJ	5,143,000	884	+4

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Nissan Diesel	310	+47	+17.9
Mitsui Whf	105	+12	+12.9
Tokyu Tour.	198	+21	+11.9
Tokyo Sngaku	155	+14	+9.9
Downs			
Sumaya Co	161	–34	–17.4
Joso	415	–75	–15.3
Ind Stmshp	112	–18	–13.8
Nppn D Chm	710	–100	–12.3

GERMANY

	May 14	May 13	May 12	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5361.22	5378.86	5297.35	5442.00	4087.28	5442	931.18

Day's high: 5387.21. Day's low: 5340.25.

■ FRANKFURT TRADING ACTIVITY — Volume : 15,454,705

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Commerzbk	1,003,464	70.1	–2.4
Deutsche Tel	703,122	45.2	+1.1
BASF	633,678	80.1	–0.8
Deutsche Bk	615,496	157.3	–1.9
Veba	528,996	121.5	–3.4
Daimler–Benz	453,651	193.5	–0.5
Siemens	436,411	118.7	+1.5
Hoechst	484,713	78.25	–0.65
Bayer	347,024	80.45	+1.15
Dresdner Bk	345,200	101.3	–2.8

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Kronos NV Pf	661	+60	+10.2
Balke–Durr	355.5	+30.5	+9.4
Rheinmtl Pf	54.3	+4.3	+8.6
Hochtief	80.5	+6	+8.1
Downs			
Singulus Tech	198	–22.2	–10.2
Fresenius Pf	97.7	–9.3	–8.7
Dis Deutscher	119	–10	–7.8
Puma	42.8	–3.2	–7

FRANCE

	May 14	May 13	May 12	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4011.58	4018.76	3987.33	4018.76	2862.54	4018.76	964.61

Day's high: 4033.25. Day's low: 3979.03.

■ PARIS TRADING ACTIVITY — Volume : 401,089,550

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Elf Aquitaine	1,483,479	890	+41
France Tel	1,162,557	323.5	–6
Usinor	1,052,582	98.85	–1.95
Alcatel Alst	1,047,142	1270	+29
Rho–Pisc A	928,021	311	+1
Bq Natl Paris	915,748	518	–12
Total B	872,741	796	+10
Ass Gen Fr	748,603	370	–0.1
Cie Paribas A	686,735	625	–5
Axa–UAP	688,735	683	–11

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Comtese	34	+34.5	+257.9
SFS Placrents	635	+334	+111
Bq Petrofigaz	30.3	+13.7	+80.6
Tour Eiffel	545	+95	+21.1
Air France	146	+21	+16.8
Sanvo	1394	+129	+10.2
Downs			
Bq Paribas Ct	638	–56	–8.1
Arbel (Ebd)	65.2	–4.8	–6.9

UK

	May 14	May 13	May 12	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5948.5	5972.9	5956.7	6105.80	5068.80	6105.8	986.9

Day's high: 5981.3. Day's low: 5938.6.

■ LONDON TRADING ACTIVITY — Volume : 928,590,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Tamaris	45,498,080	2¼	
Ladbroke	17,718,970	342	+17½
Vodafone	14,400,930	665	–11
Next	12,573,370	449½	–7
BP	12,336,980	868½	+1½
Energy	12,256,600	839	+1½
Booker	12,049,140	268½	
Hanson Sstr	11,557,830	288½	+1
Shell	11,342,580	458¼	–5
BT	10,184,280	649½	–½

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Bond Intl	155½	+34	+27.8
Airsprung	167½	+24	+16.7
Colt Telecom	1940	+257½	+15.3
Fayrewood	741½	+91½	+14.6
Downs			
Ilos	112½	–76	–40.3
Abacus Polar	96½	–29½	–23.4
Westmn Hlth	339	–65½	–16.4
Ferguson Intl	93½	–11½	–10.9

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	1123.80	1118.10	–5.90	1124.00	1116.10	108,313	335,933
Sep	1132.20	1130.50	–5.80	1132.30	1128.60	961	13,906
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
Jun	15270.0	15210.0	–120.0	15410.0	15210.0	21,317	197,165
Sep	15260.0	15280.0	–20.0	15390.0	15260.0	41	12,954

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
May	4001.0	4002.5	–10.5	4011.0	3998.0	508	36,263
Jun	3991.0	3982.0	–3.0	3991.0	3980.5	9	20,086
■ DAX							
Jun	5390.0	5380.0	+7.00	5404.5	5325.0	22,877	122,730
Sep	5402.5	5426.0	–1.00	5402.5	5371.0	12	17,694

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
May	758.00	753.75	–3.25	760.00	750.50	25,688	89,313
Jun	761.50	757.00	–3.50	761.50	754.50	9,927	42,329
■ SOFFEX							
May	7579.0	7550.0	–35.0	7615.0	7523.2	76,388	12,145
Jun	7560.0	7531.2	–36.7	7585.0	7500.0	4,689	11,663

WORLD MARKETS AT A GLANCE

Country	Index	May 13	May 12	May 11	1998 High	1998 Low	Yield	P/E
Argentina	General	22405.76	22351.71	22627.94	23485.47 23/3	18237.49 2/1	2.9	19.5
Australia	All Ordinaries	2759.4	2773.7	2786.9	2881.40 16/4	2542.40 12/1	3.3	20.1
	All Mining	645.6	652.6	667.1	713.10 23/4	582.29 13/1		

Fell with the local dollar as political instability in Asia discouraged investors. Resources continued to underperform.

Country	Index	May 13	May 12	May 11	1998 High	1998 Low	Yield	P/E
Austria	Credit Aktien	(u)	570.83	(u)	581.88 7/5	437.44 13/1	1.5	18.0
Hungary	Bux	7627.86	7651.86	8176.72	8818.36 23/4	7280.78 12/1	na	na
India	BSE Sens.	3807.94	3782.76	3945.13	4280.86 21/4	3280.55 28/1		
	Crisil 500	736.90	715.42	748.87	816.82 21/4	594.38 29/1	na	na

Shares bounced back after two-day plunge over concerns about economic sanctions following nuclear tests.

Country	Index	May 13	May 12	May 11	1998 High	1998 Low	Yield	P/E
Indonesia	Jakarta Comp.	403.70	402.06	430.53	554.10 2/2	342.97 9/1	2.4	14.1
Poland	WIG	17055.9	17214.4	17494.0	18582.70 11/3	13228.80 12/1	1.2	14.2

Analysts said that April corporate earnings, due next Monday, could spur short term market rebound.

Country	Index	May 13	May 12	May 11	1998 High	1998 Low	Yield	P/E
Portugal	BVL 30	5542.26	5573.17	5531.62	6176.89 22/4	3879.27 2/1	1.5	41.1
	PSI 20	12709.70	12789.95	12728.25	14292.99 22/4	9031.84 2/1		

Shares ended near session lows as market failed to track signs of recovery in neighbouring markets.

Country	Index	May 13	May 12	May 11	1998 High	1998 Low	Yield	P/E
Russia	RTS	263.66	279.19	290.72	411.91 5/1	263.66 14/5	na	na

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THE NASDAQ STOCK MARKET

4 pm close May 14

[illegible]

THE NASDAQ STOCK MARKET

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AMEX PRICES

4 pm close May 14

[illegible]

EASDAQ

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STOCK MARKETS

Bomb tests and profit warning cast pall

WORLD OVERVIEW

Continued worries about events in Asia and Wednesday's late profits warning from US computer group Hewlett-Packard hit sentiment over global stock markets yesterday, *writes Philip Coggan.*

While Asian markets were mixed – Hong Kong staged a rally but Singapore suffered a decline of more than 2 per cent – the rioting in Indonesia and the tension between India and Pakistan continued to affect sentiment over the rest of the globe.

The FT/S&P Pacific Basin index has lost all the gains made in the first two months of 1998 and is now down on the year, in dollar terms, as investors' hopes for a rapid Asian economic rebound have evaporated.

Meanwhile the warning from Hewlett-Packard that second-quarter earnings would be significantly below earnings expectations ensured a difficult start to trading on Wall Street. The weakness of Asian demand was one of the factors affecting Hewlett's results.

The Dow Jones Industrial Average, which closed at an all-time high on Wednesday before the Hewlett announcement, quickly lost nearly 100 points. A fall in Treasury bonds, after a higher-than-expected core inflation number, also weighed on equities. The Federal Reserve open market committee meets on May 19.

However, the early losses were soon contained. An upbeat statement from IBM chairman Louis Gerstner steadied technology stocks.

In Europe, the Bundesbank left interest rates unchanged, as expected, although most economists believe there will be a rate rise later this year as part of the process of monetary union convergence. German retail sales figures showed little sign of inflationary pressure.

Most markets drifted lower, but the losses were contained and the CAC-40 index in Paris managed to hold above the recently conquered 4,000 level.

Ian Harnett, European strategist at BT Alex Brown, said: "I'm still concerned that European bond markets have got very little scope for complacency. If we do see a pick-up in French or German growth or a rise in US interest rates, we are likely to see higher bond yields, taking equity markets back down.

"The lesson from history is that, with p/e multiples above 20, anything less than a combination of strong growth and low inflation will be treated harshly by investors.

"Longer term, however," added Mr Harnett, "I see the profit share in the European economy rising and that makes me bullish for equities."

Tech stocks in spotlight as Dow slips

AMERICAS

Three of the computer industry's biggest names sent investors scrambling on Wall Street during a mixed morning's trade, *writes John Labate.*

Soon after the opening bell, word spread that Microsoft and US regulators were involved in talks to settle the threatened antitrust case against the software company. By midsession, Microsoft was $\$2\frac{11}{16}$ higher at $\$89\frac{7}{8}$.

Blue chips were marked down at midsession. The Dow Jones Industrial Average was pulled lower by a 13 per cent tumble in Hewlett-Packard after the company stunned analysts with a profits warning late on Wednesday. The shares lost $\$10\frac{7}{8}$ to $\$70\frac{3}{4}$.

But IBM, the other computer stock in the Dow, rallied $\$6\frac{11}{16}$ or more than 5 per cent higher to $\$127\frac{3}{4}$ on news of strong growth in its computer service business. Analysts at Bear Stears and elsewhere raised their ratings on the stock.

By early afternoon, the Dow Jones Industrial Average was down 18.93 to 9,192.91. The Standard & Poor's 500 rose 1.83 to 1,120.69. The Nasdaq composite was also higher, up 8.26 to 1,874.44. Financial stocks rose slightly on news that Federal officials have partially approved a new banking bill. The Philadelphia stock exchange's banking index was 0.75 higher to 854.23. Citicorp was up $\$\frac{3}{4}$ to $\$151\frac{1}{4}$.

The US Treasury market was mixed by midday following the release of new consumer price data. The CPI for April climbed 0.2 per cent, following a flat reading in March. The benchmark 30-year Treasury bond had slipped $\frac{7}{32}$ to $102\frac{15}{32}$, yielding 5.955 per cent.

HP's profits warning put a drag on many other computer makers, including Dell Computer, which fell $\$1\frac{1}{16}$ to $\$97\frac{1}{16}$. Among networking shares, Bay Networks inched higher, up $\$\frac{5}{16}$ to $\$27\frac{15}{16}$ on takeover rumours.

The Russell 2000 index of small cap shares fell less than one point to 477.01.

TORONTO weakened as natural resource shares were hit by worries that commodity prices would be affected by the social unrest in Indonesia. The TSE-300 composite index fell 29.70, or 0.4 per cent, to 7,677.79.

The mining and minerals sector fell 0.8 per cent while oil and gas shares lost 0.5 per cent.

Reform lifts São Paulo

SAO PAULO rallied on optimism over the government's social security reform and its privatisation of Telebrás, the state-owned telecoms group.

The Bovespa index rose 169 or 1.6 per cent to 10,949, following congress's approval of pension reform on Wednesday.

According to figures released yesterday, net foreign capital inflows in April into shares, debentures and bonds fell sharply to $457.6m from $1.2bn in March.

MEXICO CITY edged higher on bargain-hunting in spite of weakness on Wall Street. The IPC index rose 11.38, or 0.2 per cent, to 4,767.98 as blue chips gained ground.

Financials lead flat Jo'burg

SOUTH AFRICA

Financial stocks were marked higher in an otherwise flat Johannesburg as the market put a positive interpretation on a clutch of interim results.

The overall index lost 10.1 to 8,019.3, industrials edged 3.2 higher to 9,772.9 and golds eased 8.0 to 1,022.9. Financials, by contrast, put on 87.0 to 13,612.6.

Nedcor gained 920 cents to R150.20 while BOE gained 65 cents to R10.20 and Orion surged 100 cents to R11.15.

Frankfurt beats weak start

EUROPE

Shares in **FRANKFURT** overcame the weak trend seen earlier in the day and the Xetra Dax index edged 2.12 higher to 5,374.11 at the close of electronic trading. Analysts noted that the index had fluctuated between 5,300 and 5,400 as the market tried to determine at what level options would expire today.

Among the day's corporate reporters, Veba lost DM3.45 to DM120.50 and RWE eased 54 pfg to DM89.05 as first-quarter profits failed to live up to expectations.

Daimler-Benz picked up DM2.75 to DM192.75 after a Japanese newspaper report that the German group would emerge with a 50-60 per cent stake in Nissan Diesel, with Nissan's stake reduced to below 20 per cent.

BMW was a big loser, down DM74.50 to DM2,000, but VW put on DM31.50 to DM1,451.50.

Among the second-liners, Fresenius was dragged down after disappointing first-quarter results from its Fresenius Medical Care business. The shares lost DM17 to DM370.

PARIS pulled back from Wednesday's record high although favourable earnings reports and a slightly firmer dollar enabled the market to pick up from the day's lows. The CAC-40 index closed down 7.78 at 4,011.98, after hovering below the 4,000 level for most of the session.

The index had dipped to a low of 3,979.03 following the release of higher-than-expected US April inflation data before moving up again in the last half hour of trading.

Oil stocks were higher following a sector upgrade by Merrill Lynch, and a spate of positive first-quarter earnings reports. Elf Aquitaine closed up FFr31 or 4.8 per cent at FFr890 while Total was FFr10 higher at FFr796 with a total of FFr691m of shares changing hands.

Banking stocks were under pressure on resurgent fears over Asia's economic problems. BNP lost FFr12 at FFr518 while Société Générale fell FFr44 to FFr1,238.

Drinks maker Pernod Ricard rose FFr18.90 to FFr423.90 after it produced strong first-quarter revenue figures late Wednesday.

ZURICH remained on a downward path, depressed by the crisis in Asia and hesitant ahead of today's options and futures expiry. The SMI index fell 32.2 to 7,550.6.

Roche certificates gave up SFr200 to SFr15,275 with investors still unsettled by worries about delays in launching its Xenical anti-obesity drug onto the US market.

Novartis was a beneficiary, picking up SFr22 to SFr2,490 as investors switched into the stock. Ciba closed above SFr200 for the first time ever as technical factors took the share SFr5.75 higher to SFr203.50.

Clariant was SFr19 lower at SFr1,710 as investors prepared for first-quarter figures due today.

ABB lost SFr58 to SFr2,492 on renewed worries over the company's exposure in Asia. The shares have had a strong run, attributed to buying by BZ Bank.

Esec, the second-tier technology company, rose SFr190 to SFr3,300 after results for the year to February.

AMSTERDAM closed lower on worries over Asia and the weak start on Wall Street. The AEX index was also depressed by selling ahead of today's options expiry, closing down 5.10 at 270.30.

Heineken, whose two Indonesian brewery operations were damaged during this week's riots, lost Fl 1.75 to Fl 75.

Philips jumped on its announcement that it was in talks over the sale of its majority stake in PolyGram to Seagram of Canada. Philips rose Fl 4.80 to Fl 210.20 while PolyGram added Fl 4.80 to Fl 110.50.

Aegon, the insurance group, retreated Fl 5.10 to Fl 270.30 in spite of an upgraded forecast for the year. Baan jumped Fl 4.50 to Fl 87.90 after the software maker reached an agreement with US authorities over its book-keeping methods.

MILAN edged lower as nervousness over US shares weighed on sentiment. Technical trading ahead of the options expiry also depressed shares and the Mibtel index declined 151 to 23,944.

Merger hopes lifted Banca di Roma, which closed up L256 or 7.1 per cent at L3,868 and BCI gained L349 or 3.4 per cent to L10,206. Reports that the two banks had chosen advisers and that they would come to a decision next month buoyed speculation. Banca di Roma's chairman Cesare Geronzi and Vincenzo Maranghi, managing director of Mediobanca, who is believed to be acting as a go-between, were reported to have visited the prime minister's office for discussions with the cabinet under-secretary.

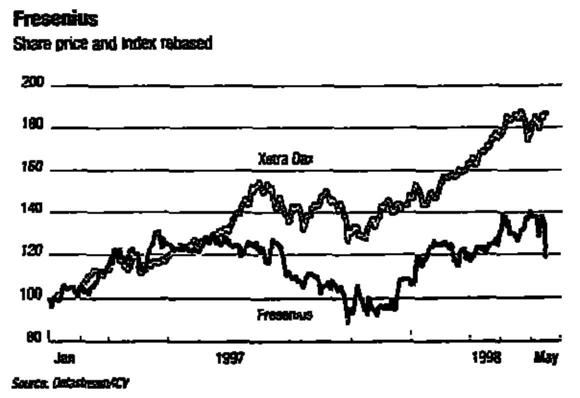
Blue chips were down with Telecom Italia losing L242 to L13,209 on uncertainty over its management strategy following comments by a government minister. Eni, however, rose L138 to L11,939 as JP Morgan raised its rating on the company.

Strong buying in Telefónica lifted **MADRID** and the general index rose 6.08 to 858.12.

Blue chips were higher, led by a Pta200 rise to Pta6,950 in Telefónica. Superdiplo, the supermarket chain, made its trading debut and closed at Pta3,385, up 8 per cent from its initial public offering price of Pta3,135.

HELSINKI's Hex index eased 44.52 to 4,944.23 dragged down by Nokia. The telecoms equipment group lost FM5 to FM366 on fears that Motorola's development in digital cellular infrastructure would pose increased competition for Nokia and Ericsson of Sweden.

MOSCOW was sharply lower for a third straight day as so called Asian contagion put renewed pressure on the government to live within its means. The RTS index added to the losses of almost 4 per cent in each of the previous two sessions with a fall of 33.53 or 5.6 per cent to 263.66, its lowest for 16 months.



Written and edited by Michael Morgan, Emiko Terazono, Peter Hall and Paul Gregan

Bombay bounces back after slide

ASIA PACIFIC

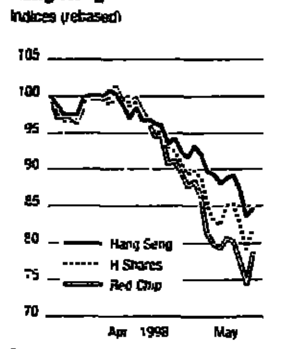
Shares in **BOMBAY** bounced back after their two-day, 6.3 per cent plunge on renewed support from speculators and local institutions. The BSE-30 index recovered 115.18 or 3 per cent to 3,897.94.

Continuing worries over economic sanctions in response to India's nuclear tests sent the rupee sharply lower. But that, in turn, prompted strong demand for dollar-earning computer software and hotel stocks.

KARACHI stumbled to a 16-month intra-day low on worries of an escalating nuclear arms race in the region. However, late short-covering pared the losses and the KSE index picked up from 1,392.30 to close 22.25 weaker at 1,412.35.

TOKYO closed broadly flat as investors waited to see how the G8 meeting in Birmingham in the UK will develop, and as new concern over Asia emerged, *writes Gillian Tett in Tokyo.* The Nikkei 225 average fell 36.12 to 15,307.69, after moving between 15,294.51 and 15,448.45. However, the broader-based Topix index, covering all first-section issues, rose 1.55 to 1,208.11.

Nikkei June futures were down 120 at 15,210 and the Nikkei 300 rose 0.34 to 238.98. Turnover on the first section remained thin at an estimated 370m.



Traders said one factor subduing the market was uncertainty about whether the G8 meeting would yield any new stance on Japan's economy.

Reservations also remain about the stance of some of Japan's major institutional investors. It is widely thought that they plan to increase their purchase of equities if the Nikkei 225 falls below 15,000.

However, a key factor dragging the market down is continued concern about deflation. Meanwhile, signs that Indonesia's problems are worsening also fuelled concern about the region. Losers outpaced gainers 664 to 424, with 149 issues remaining unchanged.

Losers were led by mining and air transport stocks and gainers by the communications, sea transport and banking sectors.

The surge in bank shares stemmed partly from hopes that the alliance between Industrial Bank of Japan and Nomura, announced on Wednesday, will be repeated elsewhere across the sector.

Sumitomo Bank rose Y45 to Y1250 and Bank of Tokyo Mitsubishi Y20 to Y1520. IBJ rose Y4 to Y884, but Nomura fell Y41 to Y1559, wiping out many gains made the previous day.

HONG KONG posted solid gains on the view that Wednesday's sharp losses had left the market oversold. The Hang Seng index bounced up from a low of 9,303.03 to close 122.66 or 1.3 per cent higher to 9,591.95.

Recently weak China-linked stocks also rebounded. The Hang Seng China-Affiliated Corporations index climbed 5.5 per cent and the H share index 3.4 per cent. HSBC picked up from a session low of HK$200 to close HK$1 higher at HK$206 after the banking group said that its exposure to Indonesia was lower than reported.

JAKARTA edged higher as the government bought shares in an effort to calm the market, in spite of escalating riots and looting in the capital. The composite index edged up 1.64 to 403.7 but in low volumes.

Dual-listed stocks also listed on overseas markets were bought by arbitrageurs and the government in order to prop up the market. Telkom rose Rp275 to Rp3,400 and Indosat Rp200 to Rp12,100.

Companies linked to President Suharto plunged. Bimanatra, a conglomerate controlled by Suharto's son, lost Rp125 or 25 per cent to Rp375, while Citra Marga, a toll-road operator linked to the president's daughter, declined Rp25 to Rp425.

SINGAPORE was hit by the unrest in Indonesia, and the Straits Times Industrials index fell 30.2 or 2.3 per cent to 1,301.78. The decline in the Singapore dollar also depressed sentiment, while hedge funds sold shares across the board.

Fraser & Neave, the soft drinks company, fell 30 cents to S$6.40 and Singapore Telecommunications 6 cents to S$2.43.

KUALA LUMPUR saw short-covering overcome worries about widening Indonesian violence and the composite index rose 12.17 or 2.2 per cent to 560.50.

Tenaga Nasional rose 40 cents or 6.7 per cent to M$6.35 and Telekom Malaysia 35 cents or 3.7 per cent to M$9.9.

EMERGING MARKET FOCUS

Casablanca rises in spite of slump

The emerging bourse of the dusty white city of Casablanca has risen impressively since the beginning of the year, gaining more than 21 per cent.

Many stock prices have reached historical peaks and prices are more than 18 times earnings. All this comes after a stock market rise of 49 per cent in 1997, when the Moroccan economy registered a fall.

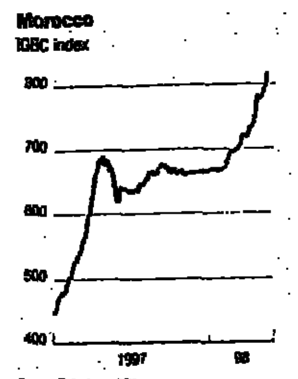
"We believe the market should be up 15 per cent to 20 per cent a year and already we are at much more than that," says Hassan Alaoui, broker at Casablanca's Upline Securities. "There is not much paper around and people are trying to find anything they can buy. They have become used to the idea that the market only goes up."

Several domestic factors lie behind the performance of the five-year-old market, capitalised at around $14bn. First is the problem of liquidity.

Funds under management in the local mutual funds industry have increased from $25m in 1994 to more than $1.4bn today. But these funds continue to chase only 49 stocks. Initial public offerings have been slow to come to the market and privatisation plans have been delayed.

Furthermore, bond yields have declined this year. Ghali Lahlou, head of research at Casablanca Finance Group, says local institutional investors who had shifted funds to the bond market a year ago have begun to return to equities.

Huge domestic demand for stocks has also been accompanied by renewed interest from foreign investors, especially through a new fund started by Omnium Nord Africain, Morocco's largest conglomerate. Buying by the new fund pushed the market up 3 per cent – the maximum allowed – for two consecutive days in April.



And, in spite of a 2 per cent decline last year for the Moroccan economy, average corporate earnings for listed companies were up 14 per cent and are projected to rise by 22 per cent this year. While growth in the economy is driven by the agricultural sector, the stock market has virtually no listings related to farming and 30 per cent of stocks are in the banking industry.

Mr Alaoui says the Casablanca bourse's performance is not justified and the market should begin to stabilise with the introduction of up to four initial public offerings this year. Investors will cash in their profits and shift the money into the new offerings.

According to Mr Lahlou, however, the trend seen on the market could be dangerous in the long term. With few alternative investment opportunities, the stock market has become the easiest way to make a quick profit. Investors rush to the bourse when they see it going up, driving up prices even more.

"When prices start going down, they'll rush to take their money out and prices will come down even more," says Mr Lahlou. "The stock market is very new in Morocco and the culture will take a long time to develop a long-term vision."

Roula Khalaf

RICHARD DONKIN

Fast stream of servants

The civil service development programme is one of the most respected recruitment exercises in the UK

During the next few weeks some 1,500 aspiring mandarins will slip through a door tucked between a hairdressers and a newsagent's shop in Horseferry Road, London, to undergo two days of demanding intellectual exercises and interviews.

Each of the aspirants is seeking one of up to 300 places this year on the civil service fast stream development programme.

The fast track recruitment programme, which has been running for more than 50 years, is one of the most respected recruitment exercises in the UK, acknowledged across industry for its thoroughness.

The process is organised by Capita RAS, the privatised recruitment service. Some eight panels of three assessors are looking at up to five candidates at a time. The chair is occupied by a serving or recently retired civil servant. Alongside the chair is a departmental assessor and a psychologist. Not one applicant on a recent panel I shadowed was currently employed by the civil service but all had civil service backgrounds.

The application forms for the group I looked at seemed impressive. Each had sound educational records with first or second class degrees at good redbrick universities. All except for one, who was studying for a PhD, had existing full-time jobs. None of them had come straight from university. All had some experience of living or studying abroad. To get this far they had passed a battery of verbal and numeracy tests used to sift some 7,500 applications.

The quality of the job simulations distinguishes the process from other schemes

Many candidates want to enter the foreign service but only those with the highest test marks are considered. Those scoring less highly are interviewed for the home service only.

What distinguishes the process from many other recruitment schemes is the quality of the job simulations. Candidates have two group exercises. The first involves contributing to meetings discussing an urgent policy issue. The second allows each of the candidates to chair a meeting to choose policy options in a series of different cases.

In and among these sessions candidates are interviewed individually by each member of the panel and briefed to look for evidence of particular skills.

There are four other exercises. The most important is a two-hour written policy exercise looking for an ability to analyse and draw options from a folder of documents amounting to about 10,000 words. Research shows that the test is a good predictor of future job performance.

The selection testing is extremely tough. None of the four applicants I met were successful even though most of them seemed to perform reasonably.

Less than 3 per cent of fast stream applicants get through to the final selection board – a panel interview that confirms those candidates with firm passes and adjudicates on the borderline cases.

But is it all necessary? It is difficult to argue to the contrary because five studies published over the board's lifetime have shown that it is a good predictor of performance at senior levels. Those who do well in the process tend to continue successfully in their careers.

With recruitment costs averaging between £13,000 ($21,700) and £14,000 a candidate, however, it might be reasonable to question whether the process needs to be quite so exhaustive. If the policy test is a good predictor of success in itself and the sifting tests are also reliable indicators, is there a need for so many tests?

A second concern relates to the appearance of an elite within an elite. Why should the foreign service be allowed to cream off most of the best candidates? This not only risks deterring some candidates at an early stage – when they hear before their assessments that they will be considered only for the home service – but it could deprive the home service of expertise that could arguably be better used in Whitehall than in some far-off embassy sitting on its fading colonial laurels.

Salaries, bonuses and car allowances in City of London finance

Position	Base salary: Lower quartile £'000	Median quartile £'000	Upper quartile £'000	Average salary £000	Average bonus (% salary)	Car provision or car allowance: Provided (% posts)	Car value* £'000	Annual allowance £'000
Corporate finance head	100.0	110.0	122.0	118.2	80.8	91	–	7.5
Capital markets head	135.0	165.0	218.2	172.9	68.1	87	–	7.8
Bond sales head	95.5	115.6	137.5	116.8	58.1	68	–	8.0
Fund management director	114.0	125.5	148.3	133.7	43.8	87	23.4	8.5
Futures & options head	88.8	98.8	105.9	101.1	28.3	80	–	7.5
Eurobond trading head	110.0	119.0	148.0	121.8	113.3	84	20.0	7.7
Equity trading head	107.3	122.5	138.0	122.8	100.4	80	–	8.5
Private banking head	110.0	135.0	140.0	128.9	65.8	100	28.9	7.8
Head of research	77.8	87.5	105.8	100.7	93.8	71	–	6.5
Financial director	88.0	91.6	113.8	102.5	33.7	78	23.8	7.5
Chief FX dealer	81.5	97.5	106.8	94.9	50.2	83	21.8	7.2
Legal services head	68.8	75.0	90.0	77.5	28.1	74	24.0	8.8
Personnel director	65.5	85.0	97.5	82.6	51.5	100	30.5	7.9
Money market head	60.0	70.9	81.0	74.3	33.1	72	19.9	6.5
IT director	60.5	67.5	78.0	72.0	24.3	68	28.7	6.8
Credit head	92.5	89.2	126.1	123.8	20.8	92	23.0	7.5
Head of tax	70.1	83.7	101.2	88.8	38.3	77	19.1	6.8

Source: Guide to Remuneration in International Banks & Investment Houses. Published by Monks Partnership.

*Increasingly companies are providing car allowances instead of company cars and therefore sample sizes for car values are in some cases quite small. These figures should be treated with care.

Repo traders top pay rise league

The table published here is drawn from the latest edition of the Monks Partnership International Banks and Investment Houses Remuneration Guide, which covers 400 jobs among some 179 employers.

Year-on-year total pay rose on average by 6.8 per cent. The highest increases – reaching nearly 26 per cent – were among repo traders. The lowest rises, of just 0.7 per cent, went to the secretarial sector.

The report is £310. Contact Monks Partnership for details, tel +44 1799 542222.

WORKING BRIEFS

Hay Consultants launches first pay information service on net

Hay Management Consultants is hailing its launch of PayNet as the first internet-based interactive pay information service. The subscription service allows subscribers to access Hay's Compensation Database containing information from more than 3,000 employers and 2m employees.

The system, piloted in the UK, is to be launched in the US and 11 other countries in the next few weeks. It will be available in more than 50 countries by the end of 1998. Hay says the UK database will be updated four times a year initially. Monthly updates are planned by the end of the year.

A demonstration of the service can be found at http://www.haypaynet.com

Recruiting over the telephone

Gallup has devised a screening system for graduate recruitment using automated telephone interviews. The idea is that applicants are given a Pin number like the ones for cash dispensing machines and a freephone number. When they call they have to answer a series of automated questions structured to search out certain attributes from the responses. The whole process takes about 20 minutes.

Standard Life, the financial services company that recently used a customised version of the system, says it saved some 143 man days in filling 10 information systems and five general management jobs. It also prevented those candidates for one job who were better suited to another slipping through the net.

Companies may limit car perks

Increasing numbers of companies are considering phasing out company cars provided as perks, according to a survey by Watson Wyatt, the human resources and benefit consultants, that looked at details from 308 companies.

Although the number providing company cars is falling gradually, they remain a popular perk, run by 91 per cent of those surveyed. But a third of those were thinking of phasing them out, except where their use was essential to the job.

The Watson Wyatt Survey of Company Cars and Cash Allowances, £150, tel +44 1737 241144.

BANKING FINANCE & GENERAL APPOINTMENTS

Vice President

Trading and Sales Middle Office

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Our client is one of the world's most successful and prominent investment banks. A leading innovator in middle office functional improvements, this premier investment bank is looking for an exceptional individual to implement change and manage the middle office function of the European Trading and Sales Group.

Reporting directly to the Managing Director for the global middle office function, this position will work with senior management to design and implement functional changes for the middle office of the Trading and Sales Group in Europe.

The position will have approximately 12 people reporting into it and will include responsibility over the repo, stock loan and stock borrowing areas. The areas of responsibility for the position are broad so the chosen individual will need to have had exposure to a variety of different functions within a financial services institution.

This high profile position will require a professional with at least 7-10 years of work experience at one of the large financial services institutions, ideally with an emphasis and expertise of European markets.

Broad financial product knowledge coupled with superior management skills are also required for the position.

If you are interested in joining an organisation where ambitious, committed and successful individuals are rewarded with progression and remuneration, please write enclosing a detailed curriculum vitae in the strictest confidence to Alex Cooper at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Telephone 0171 269 1904, fax 0171 329 2974 or *e-mail: alexcooper@michaelpage.com*

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Senior Risk Manager

Merrill Lynch

Merrill Lynch is a leader in investment banking with an outstanding reputation in the debt, equity and derivative markets. They are committed to constant evolution and development in order to maintain their enviable reputation. This level of excellence relies on recruiting the highest calibre staff across all product ranges. Within their Risk Management department, a high profile opportunity has arisen for a Senior Credit Risk Manager. The successful candidate will report directly to Credit Risk Management in New York and will be responsible for quantifying and providing credit risk analysis and assistance to the businesses in London, Tokyo and New York on a transaction-by-transaction basis. As the role will involve close contact with derivatives trading staff, candidates can come from a market risk, trading or credit risk environment.

Key responsibilities will include:
- Providing Credit Risk analysis and assistance to the business on a transaction-by-transaction basis.
- Developing tools and processes to quantify and manage credit risk.
- Representing the credit risk function in developing new products.
- Specifying requirements for the credit system.

Candidates will have:
- A minimum of five years investment banking experience gained from a market risk, trading or credit risk background.
- A strong quantitative background (e.g. Phd/Msc in a numerate subject).
- Knowledge of risk models and experience of contributing to the improvement of the risk management process on an ongoing basis .
- *Strong written and oral communication skills.*

This role represents an excellent opportunity to join a prestigious organisation which will provide ambitious candidates with a real challenge and further opportunities for career growth.

Interested candidates should contact Kieran Ryan on 0171 269 1871, or write to him enclosing a full curriculum vitae at Michael Page City, 50 Cannon Street, London EC4N 6JJ or fax 0171 329 2986, e-mail: kieranryan@michaelpage.com. Please quote reference number 350429.

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Manager, Structured Products

Excellent Remuneration & Benefits Package

We represent one of the leading UK based treasury operations, whose business activities include structured and asset finance, capital markets and a rapidly developing derivative capability. As part of their continuing expansion programme, an individual is required to join their recently established Structured Products Division. The appointee will become part of a small, highly qualified team responsible for the following:

- Analysis of structured products where there are securitisation, cross-border tax, legal or accountancy issues.
- Development of structured tax-enhanced or securitised products.
- Development of structured cash flow products.
- Credit, capital allocation and risk weighting issues.
- Significant liaison with credit, tax and legal divisions covering matters arising from domestic and cross-border issues.

The successful candidate should be educated to degree level with at least two years relevant experience, ideally gained within an investment banking or management consultancy environment. A thorough knowledge of cross-border tax principles and their interaction with law and accountancy is required, together with practical exposure of derivatives and associated financial instruments. The person should demonstrate in-depth cash flow and numeracy skills, a high degree of computer literacy and have the ability to communicate and present at all levels.

For those individuals seeking a philosophy and culture that is heavily biased towards team effort, this position represents an excellent opportunity within a highly regarded and progressive operation.

For a confidential discussion please contact Keith Snow. Telephone: 0171 236 2400, Fax: 0171 236 0316, e-mail: snow@sheffield-haworth.co.uk or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

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CREDIT SUISSE | Financial Products

Credit Risk Analyst

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CSFP is one of the world's leading derivative houses servicing a prestigious global client base. We specialise in providing a range of structured derivative and risk management products that incorporate innovative design with well controlled trading strategies. Continued business development has created the requirement for a Credit Analyst to focus on the Nordic portfolio. The successful candidate will have an instinctive understanding of the Nordic economies and their financial markets.

Responsibilities include:
- *Credit analysis for a full range of structures and* counterparties, including cash flow transactions.
- Liaising with the marketing desk, other parts of the Credit Suisse First Boston organisation and clients.
- Assisting in the credit enhancement of transactions as they are developed for clients.
- Undertaking credit related projects and making presentations on specific industry reviews.

Successful applicants will possess:
- *A solid educational background coupled with a* minimum of two years credit analysis experience.
- Linguistic skills advantageous but not essential.
- Derivatives product knowledge preferable.
- Ambition and motivation, with the credibility and drive to excel in a challenging and dynamic environment.

Interested applicants should contact Anne Lindley-French on +44 (0)171 269 1865, or write to her enclosing a full CV at Michael Page City, 50 Cannon Street, London EC4N 6JJ, UK, quoting reference 377146. Fax: +44 (0)171 329 2986.

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ASSET MANAGEMENT

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Barclays Global Investors is one of the largest investment management groups in the world, with assets under management of £295 billion, offering both indexed and advanced active investment strategies. As a result of continued growth, they are seeking to appoint a number of high-calibre individuals to their Indexed Strategies team.

ASSET ALLOCATION STRATEGY

THE POSITION **Ref: 980501**
- Key position providing technical advice and support on passive strategies to client base in the UK and across Europe. Liaise closely with fund managers and client relationship management team.
- Complete research into asset allocation strategies. Provide solutions to meet needs of institutional clients.
- Manage performance review process and co-ordinate portfolio reorganisation. Some international travel.

QUALIFICATIONS
- *Graduate with thorough understanding of principals of investment management. Two to six years'* relevant experience crucial.
- Background in investment management or investment consultancy ideal. Familiarity or interest in client relationship management vital. Rigorous analysis and problem-solving ability.
- Talented presenter with strong interpersonal skills. European language ability helpful. Team player.

INDEX PORTFOLIO MANAGER & ASSISTANT MANAGER

THE POSITIONS **Ref: 980502**
- Day-to-day management of UK or international segregated and pooled index funds. Monitor risk/return profiles.
- Manage cashflows, including use of derivatives.
- Work closely with colleagues on new and existing business. Attribution of funds' performance against benchmarks.

QUALIFICATIONS
- *Up to six years' experience or relevant qualification helpful. Exposure to and understanding of investment.*
- Familiarity with structure of equity markets, dealing and settlements systems preferred. Operations background of interest.
- Familiarity with spreadsheet and portfolio analysis software advantageous. Thorough attention to detail. Strong interpersonal skills. Team player.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting relevant reference to SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

General Counsel - Europe

tyco Group S.a.r.l.

Tyco International Ltd., a diversified manufacturing and service company, is the world's largest manufacturer and installer of fire and safety systems and provider of electronic security services and has strong leadership positions in disposable medical products, packaging materials, flow control products, electrical and electronic components and underwater telecommunications systems.

Tyco's operations span 80 countries and 315 profit centres, employing over 80,000 people. The company's annual revenues are in excess of US$13 billion.

An opportunity has arisen in Tyco's Luxembourg office for a senior legal adviser of the company's extensive and expanding European operations. You would be particularly experienced in mergers and acquisitions in Europe as well as corporate and commercial matters together with competition law. An understanding of the workings of the European Commission is important, as is a flexible approach and willingness to handle day-to-day commercial affairs. This is a senior position, eventually having total responsibility of the European legal function and will require the successful candidate to demonstrate an ability to build effective relationships with the management of the European business units. The opportunity also exists for the candidate to play a significant role in shaping the company's European legal function.

The successful candidate can expect an excellent remuneration package.

For further details, please contact Alicen Shepherd, Sonya Rayner or Morwenna Lewis, or send them a copy of your CV. They are handling this assignment on an exclusive basis.
Alternatively, you can send an e mail to AlicenShepherd@chambersrecruitment.co.uk

CHAMBERS
PROFESSIONAL RECRUITMENT

23 LONG LANE, LONDON EC1A 9HL TELEPHONE: (0171) 606 8844 FAX: (0171) 600 1793

Brambles Industries Limited is one of Australia's largest public companies. As international materials handling and equipments & industrial services Group they are operating on four continents. Nearly 19,000 employees work at over 700 locations in 19 countries. Sales are close to 3 billion AUD. The European division has his headquarters based in **Brussels**. Europe represents 1 billion AUD sales with ± 60 locations in 10 countries. The company is seeking to recruit a (m/f):

European Controller

who can face the further expansion of their European Operations.
He/she reports to the Chief Financial Officer - Europe and supervises a small team.

Responsibilities: ❑ Supervise the periodic reporting and consolidation ❑ Co-ordinate the budget process ❑ Analyse actuals, budgets and forecasts ❑ Control statutory and management accounts and liaise with internal and external auditors ❑ Develop adequate reporting tools ❑ Evaluate controlling related issues of newly acquired companies ❑ Work closely with Senior Management in Europe, senior finance staff in Australia and other members of the European finance team ❑ Act as a pro-active interface with the local affiliates and a back-up to the CFO.

Profile: ❑ Preferably an Anglo-Saxon background and qualification (ACA/CPA) ❑ Excellent knowledge of international accounting principles ❑ Strong experience in international controlling issues ❑ Good communication at all levels within the organization and ability to work under pressure in a growing environment ❑ Languages: English and preferably some French or German.

Interested candidates are invited to contact **Marc Spaey** on 00 32 2 347 02 10 or send their curriculum vitae to **SA Spaey.Deferme NV**, avenue Molière 262, 1180 Brussels.

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- A minimum of five years' experience in equity trading or portfolio management of equities.
- In-depth knowledge in fundamental equity research and understanding of chart and quantitative analysis and preferably specific industry know-how.
- Must have experience in at least one of the following markets: UK, Spain, Italy, France, Benelux or Switzerland. Fluent in English and preferably German.

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Financial Times

GLOBAL PORTFOLIO MANAGER

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Please respond in writing to
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Due to the continuing growth of our UK business we are seeking to recruit additional high-calibre individuals to strengthen our London team further.

INSTITUTIONAL RELATIONSHIP MANAGER

The successful candidate will provide a professional service to a portfolio of major UK pension funds in the private and public sectors.

Responsibilities include monitoring and reporting on the performance of funds, developing the client relationship and business development.

Candidates for the above position will be high-calibre graduates who have a deep commitment to providing the highest customer service. Essential attributes will include previous experience in the fund management industry, the ability to meet and anticipate client requirements and a high degree of numeracy.

BUSINESS DEVELOPMENT MANAGER

The successful candidate will market our comprehensive range of investment products to personal investors throughout the UK. This will involve a considerable amount of travel.

Successful candidates are likely to be business graduates, with a minimum of five years' proven sales experience in the fund management industry. They will have excellent interpersonal skills, combined with energy and the ability to work with initiative towards the continuing development and growth of our business.

MARKETING EXECUTIVE

This is an exciting opportunity to participate in the creation and execution of marketing initiatives to support our UK and overseas business.

This is a demanding role that is likely to appeal to a highly motivated and dynamic business/marketing graduate, with at least three years' experience in a busy marketing environment – ideally in the financial services sector. Strong writing and verbal skills are essential and experience of event management, advertising and public relations is also desirable.

We offer excellent career prospects to grow with a rapidly expanding international business. Remuneration packages are performance driven and at the forefront of market practice.

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Ann Ringrose, Personnel Manager,
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As an integral part of our Commercial Business Management team, you will report directly to the Business Planning Manager. Your outstanding analytical skills and commercial acumen will be fully utilised and applied in varying environments, covering a wide spectrum of tasks.

Working with our Service Partners, Regional Managers, Global Segment Managers and Finance team, key responsibilities will include:
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- Develop Segment/Product business plans
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- Coordinate the process and assumptions for ongoing updates of the central business plan
- Develop understanding of the key value and cost drivers in the ICO business plan
- Ensure that the Finance Plan supports our Business Plan.

Your commercial experience within the Telecommunications industry, will have positioned you to take your next major career step. With an excellent educational background, you will be able to demonstrate a first class track record as a business analyst within a commercial, international environment.

As international travel will be required, we would expect your communication skills to be first-class. Finally, you should possess the personal credibility and integrity expected of a representative of a truly blue-chip international company.

If you can make a major contribution within this pioneering organisation, then please write (quoting ref: JI026) enclosing a comprehensive CV and current salary details to: The Resourcing Centre, ICO Global Communications, 1 Queen Caroline Street, Hammersmith, London W6 9BN. Fax: 0181 600 0660, email: recruit@ico.com. To find out more about ICO, visit our Website at: http://www.ico.com

ICO

Credit and Risk Manager

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European Equipment Finance (EEF) is one of GE Capital's highly profitable, niche businesses. Our mission is to provide finance and lease facilities to businesses throughout Europe requiring assets ranging from copiers to corporate aircraft and we have doubled in size in the last year by organic and acquisitive growth in key markets. We are now looking to recruit a talented Credit and Risk Manager for the Structured Finance Division to play a pivotal role in the organisation.

Part of the European corporate team based at our Headquarters in West London, you will report to the Senior Credit Director. This is a highly autonomous role in which you will underwrite transactions, primarily submitted from our French and German businesses. In addition, you will work directly with our Special Markets Group in structuring, approving and closing large, complex asset based transactions. Moreover, you will provide active support to the local country Credit and Risk Management teams, educating and coaching them in order to enhance existing skills.

Fluent in French and English, you will need at least seven years' credit and risk management experience gained within a leasing organisation or international bank, ideally with extensive knowledge of the French market. You should be expert in the analysis and interpretation of financial information and be able to apply this expertise to the wider issues connected with such complex transactions. To succeed you will need a flexible approach together with an international mindset and excellent communication skills. You should be capable of remaining productive under pressure in a constantly evolving environment where credibility is critical to your success.

This is an exciting and challenging opportunity where you will find enormous scope to progress your career within a truly global organisation. To apply, please write (indicating your current salary) to Ruth Almond or Sandra Bohle at CSA Management Consultants, Century House, Priestley Road, Basingstoke, Hants RG24 9RA, England. Tel: (+44) 1256 818811. Alternatively, fax them on (+44) 1256 356684 or via E-mail at sandra_bohle@csa.co.uk

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STRUCTURED LOANS

• ASSISTANT TO HEAD OF PROJECT AND LEVERAGED FINANCE (REF. A)

The successful applicant will work in close contact with the Head of the Section in carrying out advisory mandates to develop and implement structured project and leveraged financings. He/she will have the ability to "work outside the box", albeit as part of a team comprising the Head of Section, analysts and other key staff in the Credit Division and to handle financial, technical, market, legal and tax aspects of prospective transactions. His/her duties will include appraising the long-term feasibility of financing propositions involving drafting business plans and sensitivity analyses. He/she will also play an active role in growing the business by attracting new mandates from *appropriate counterparties.*

• ASSISTANT TO HEAD OF EXPORT FINANCE, DEBT SECURITIZATION AND SYNDICATED LOANS (REF. B)

The successful applicant will work in close contact with the Head of the Section in carrying out advisory mandates to develop and implement structured export financings, debt securitizations and syndicated loans. He/she will have the ability to "work outside the box", albeit as part of a team comprising the Head of Section, analysts and other key staff in the Credit Division and to handle financial, technical, market, legal and tax aspects of prospective trasactions. His/her role will include appraising the risk profile of syndicated loans, in consultation with the Head of the Section and analysts. He/she will also play an active role in growing the business by attracting new mandates from *appropriate counterparties.*

• TWO CREDIT RISK ANALYSTS (REF. C)

The successful candidates for these positions will work in a team with the two Heads of Section and their Assistants in developing detailed risk profiles covering:
a) project and leveraged financings, including drafting of business plans and sensitivity analyses;
b) export financings, debt securitizations and syndicated loans with special emphasis on country risk where required.

Candidates should be nationals of an EU member state and will ideally have gained three to five years' experience in the relevant areas with a leading financial institution, preferably with an international outlook. Fluent Italian and English are requisites, and proven ability in one or more other European languages will be an asset. Remuneration will reflect qualifications and experience and there are attractive prospects for career advancement within a young and dynamic team.

If you believe you meet the requirements for any of these positions, please send us a CV with your telephone number in strict confidence, quoting Reference A, B or C 98.25. Your application will be forwarded to our client unless you list companies to which it should not be sent.

MONITOR RESEARCH

Consulenti di direzione - via Manzoni, 42 - 20121 Milano - Fax 39 . 2 . 783916

Credit Analyst

Edinburgh

SEAM is the asset management arm of Scottish Equitable plc and part of the AEGON Group, one of the largest financial services organisations in the world. Funds under management at SEAM have increased threefold in the last five years to over £17bn and the fixed interest team currently manages over £6bn.

The search for yield and the advent of the single European market means that credit analysis is becoming an increasingly important part of our fixed income investment decision making process. As a member of the fixed interest team you will work closely with the fund manager responsible for credit portfolios to develop a rigorous credit rating and bond valuation model. Maintaining a working dialogue with AEGON's credit team in the US will also form a key part of your remit and over time it is expected that your responsibilities will include the management of portfolios.

To succeed in this role we are looking for a numerate graduate, IIMR qualified or equivalent, with strong PC skills. Whilst an experienced credit analyst would be preferred, consideration will also be given to equity analysts with at least 2 years experience who can demonstrate effective analytical and communication skills.

We offer an excellent working environment with a competitive salary and flexible benefits package which includes a bonus scheme related to fund performance, non-contributory pension scheme and a subsidised mortgage facility.

If you have the skills and experience we are seeking and would like to contribute to our future success, please apply in writing only, enclosing a CV and stating current salary details, to: Colin Boss, Personnel Department at Scottish Equitable plc, Edinburgh Park, Edinburgh EH12 9SE. Closing date: Wednesday 27th May 1998.

Scottish Equitable ASSET MANAGEMENT

ACCOUNTANCY APPOINTMENTS

GLOBAL HEAD OF AUDIT

CITY **£ EXCELLENT**

This UK based Plc with 10,000 employees in 300 offices worldwide has built a reputation as being a leader within its sector of the financial services markets.

As the group continues to move forward the need has arisen to recruit a senior audit professional to take on global responsibility for reporting on the adequacy and effectiveness of the group's systems of Internal Control, to the audit committee. The successful candidate will be expected to develop and maintain strong working relationships with internal clients and external auditors alike to ensure effective use is made of all resources.

The ideal candidate will have specialised in the application of modern auditing techniques and will have experience of supervising staff at management level.

He or She will fit the following profile:

- be a professionally qualified ACA
- have a strong financial services background, with at least 10 years experience
- have the ability to advise and act in a consulting role whilst maintaining the highest standards of professional independence
- be able to demonstrate a commitment to the auditing profession with a view to driving the team forward
- be capable of communicating at all levels and challenging senior management on points of contention

The above position is an exciting prospect for someone looking for an interesting professional working environment. Interested applicants should send a detailed Curriculum Vitae stating package to **David Chancellor** at **Robert Walters Associates, 10 Bedford Street, London WC2E 9HE.** Tel: **0171 379 3333.** Fax: **0171 915 8714.**
E-mail: **david.chancellor@robertwalters.com** Web: **http://www.robertwalters.com**
You may also apply via **http://taps.com/Robert_Walters** quoting reference RW82.

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Jack Welch, Chairman & CEO

Open Day **Global Finance Opportunities**

GE is the highest market value industrial company in the world ($278 billion). Operating in 12 key businesses as diverse as manufacturing, media and financial services, GE has a AAA rating and 1997 revenues of $90 billion. Strong growth is achieved both organically and by acquisition.

Built on 120 years of innovation, GE provides opportunity for those who have a vision, with the energy and confidence to pursue it. The success of the Group is founded on the basic principles of Value, Service and Productivity.

GE is hosting an open day on **Saturday 13th June 1998** for high calibre finance professionals from newly qualified to CFO level.

Activities will include: keynote speakers and workshops covering topics such as integration/acquisition, the Euro, quality and controllership.

Candidates will:
- Be degree educated and hold a recognised accounting qualification.
- Have enormous energy and the ability to energise others.
- Be strong communicators with drive and a high degree of professionalism.
- Set aggressive goals and understand accountability and commitment.
- See change as an opportunity not a threat.

If you feel you meet these criteria and would like to talk to GE about opportunities, please contact our retained consultants promptly as there are limited places available.

Interested candidates should contact Gary Watson at Michael Page International by sending a detailed curriculum vitae to Page House, 39-41 Parker Street, London WC2B 5LN. Alternatively, telephone him on 0171 269 2251 or fax 0171 242 1020. e-mail: garywatson@michaelpage.com

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Regional Banking Audit

International Investment Bank Based in Hong Kong

Excellent career opportunity in Asia

Our client is a premier international investment bank with a well established presence in the Asia Pacific region. As a result of expansion and its renewed focus across the region, the internal audit department is recruiting to increase its team. Positions exist at both junior and senior levels.

Reporting to the Regional Head of Internal Audit, you will undertake a regional role in assessing the client's overall risks, reviewing key controls across existing and new businesses and assessing and developing controls over new products. Ideally, you will be a qualified accountant with at least four years experience gained in a 'Big 6' firm working with banking clients or, alternatively working within a financial institution. A strong knowledge of fixed income products would be a distinct advantage. You must be assertive, committed and hardworking. Fluency in English and strong interpersonal skills are also essential to enable you to liaise internally and externally, as is a willingness to travel. You should also be able to demonstrate a high degree of pro-activeness and initiative and the ability to work under pressure and in a team.

Interested applicants should contact Joanna Adolph at Michael Page City, 50 Cannon Street, London EC4N 6JJ, or telephone her on 0171 269 1840. Please quote ref 421909.
e-mail: joannaadolph@michaelpage.com

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Chief Financial Officer

MIC

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Millicom's operation in Ghana is the leading cellular company in an increasingly competitive market. To maintain its role as industry leader and to continue expansion by increasing both the customer base and the geographical coverage, its financial team's contribution is critical.

The company now requires a CFO to lead that team, to provide strong financial leadership and consolidate their position as Number 1 in the cellular phone market.

You will also:
- Support the Managing Director with efficient handling of key regulatory, fiscal and tax matters.
- Prepare monthly reports and analysis for parent company.
- Analyse and interpret key performance indicators to maximise the revenue.
- Develop and manage state-of-the-art IT solutions.

You will hold a recognised international accounting qualification, be ambitious, self motivated and able to effectively demonstrate either a track record in a similar role or the potential to succeed in this environment.

Please send your curriculum vitae to Jonathan Stokes at Michael Page International, Page House, 39-41 Parker Street, London WC2B 5LN, or fax on +44 (0)171 831 3440, quoting reference 420290
e-mail: jonathanstokes@michaelpage.com

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FINANCE DIRECTOR

Six figure package + share option potential **SURREY**

This is a rare opportunity to join a dynamic team that is at the forefront of the provision of IT services and products. In a premium position in its sector, this organisation has a clear strategic vision to maintain and drive forward its continued growth and success.

The company has grown rapidly over the last three years and now needs an exceptional and entrepreneurial Finance Director. The role will be demanding in that it requires the ability to work with a young and flamboyant management team that expects results. The right individual will be focused and enthusiastic with an excellent communication style.

The Position

- Direct the Finance, Infrastructure and IT functions.
- Conduct corporate finance activities such as preparation for public flotation, M&A work and capital restructuring.
- Manage the relationship with external professional advisors and the city.

The Requirements

- Qualified accountant with commercial experience gained within a product/services focused organisation.
- Strong Corporate Finance expertise.
- Innovative and proactive with the ability to manage rapid change.
- Confident and robust personality to fit into a creative and energised culture.

Please send your CV with current salary details to: Sara Kenderdine-Hair, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90532A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

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A DIVISION OF KORN/FERRY INTERNATIONAL

FUND MANAGEMENT

HEAD OF FINANCE & OPERATIONS

c. £100,000 **CITY**

Our client is the fund management arm of one of the largest universal banking groups in the world and is represented in over 300 cities across 31 countries worldwide.

This London-based fund management company is currently experiencing rapidly expanding business levels, as part of a group with over $16 billion funds under management worldwide. An outstanding opportunity has now arisen for a high-calibre and hands-on Head of Finance and Operations to provide financial, operational and commercial leadership to this business, with responsibility for assisting in its further growth.

The Position

- Report to the Managing Director, with responsibility for managing the finance and operations functions.
- Assist the Managing Director in evaluating and monitoring new business developments to ensure the strategic growth of the firm.
- Ensure the company's finance and operational strategy supports its broad business objectives.
- Manage and motivate a small and established operations team.
- Develop strong working relationships with senior executives both internally and externally.

The Requirements

- A high-calibre qualified accountant, ideally ACA/FCA, with a proven track record in financial services; ideally fund management
- Commercially astute, with first-class interpersonal skills, capable of interfacing with senior executives, yet able to motivate staff.
- Excellent financial and analytical skills, with a strong attention to detail.
- Innovative and proactive approach, with the ability to manage and execute change in a growing business.
- Strong IT skills and problem-solving capabilities, with a high level of motivation.

Please send your CV with current salary details to: Sara Kenderdine-Hair, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90530A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

MORGAN STANLEY DEAN WITTER

Senior Manager - Financial Control

Excellent Package **London**

Morgan Stanley Dean Witter has a reputation as one of the world's leading financial services firms. Central to the firm's success is its commitment to recruit and develop individuals capable of enhancing its proven record of innovation and achievement.

THE POSITION

- New role. Provide accurate and timely financial advice to various trading desks and support functions.
- Develop strong relationships with tax, treasury and legal departments. Be a key contributor to the financial controllers team.
- Take ownership of and oversee implementation of specialist accounting initiatives to improve management information/reporting and overall operational effectiveness.

QUALIFICATIONS

- Graduate qualified accountant (preferably ACA). Minimum four years' PQE gained within financial institution or leading accountancy firm. Strong knowledge of wide range of banking products.
- Commercially astute and technically strong. Understanding of US GAAP and SFA regulations desirable. Proven record of project management to tight deadlines.
- Excellent communication skills. Confidence and credibility to operate and influence at senior level. Lateral thinker and self-starter. Thrive in an open environment.

Please send full cv, stating salary, ref PS805H2, to NBS, 21-26 Garlick Hill, London EC4V 2BX
Fax 0171 489 0698 Email richardp@nb-selection.co.uk Tel 0171 379 1070

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International Blue Chip Plc

To £60,000 + Car + Benefits **North West**

Unique opportunity for first rate tax professional to create a centre of excellence in this internationally renowned major British group.

THE COMPANY

- Respected market leader in processing and engineering with significant recent acquisition. Growing internationally. £1.5 billion turnover.
- Reputation for technical excellence, quality and innovation.
- Worldwide presence with subsidiaries/offices in North America, S.E. Asia, Europe and Far East.

THE POSITION

- Opportunity to gain board level exposure within a major plc environment.
- Provide a source of strategic tax direction across the group. Minimise tax liabilities for both domestic and international businesses.
- Manage a small, specialist team creating and implementing new systems and training strategies.
- Liaise effectively at all levels of staff including board level. Co-ordinate external contacts with Inland Revenue and professional advisors.

QUALIFICATIONS

- Ideally ACA and ATII. Minimum 5 years' PQE in a corporate tax environment, preferably in an international setting.
- Knowledge of tax planning, acquisitions, joint ventures and reorganisations.
- Proven manager and negotiator. Excellent communications skills.

Please send full cv, stating salary, ref MN80501FT, to NBS, PO Box 63, Wilmslow, Cheshire SK9 5FG
Fax 0541 500 001 Email nbsresponse@nb-selection.co.uk Tel 01625 539953

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Financial Reporting Manager

Package to £38,000 *Wiltshire*

BRITISH AMERICAN FINANCIAL SERVICES

British American Financial Services (BAFS) is the common identity for B.A.T. Industries' UK financial services businesses. Continued growth and future expansion plans have led to an opportunity for a high calibre financial professional within the Swindon finance team.

Reporting to the Group Accountant, you will be leading a small team responsible for preparing and reporting the results of the Allied Dunbar Group, as well as supporting financial reporting for other BAFS businesses. Operating with a wide remit, key responsibilities will include:

- working closely with our various business units to develop and enhance financial reporting processes and controls;
- responsibility for the reporting of interim and annual financial results under both UK and International GAAP;
- advising on accounting policy and practice;
- managing and enhancing financial reporting systems;
- ad-hoc projects including financial analysis and participation in multi-functional teams.

A graduate with an impressive academic background, you will be a professionally qualified accountant with up to three year's post qualification experience. You will have a proactive and commercially focused approach with strong technical skills. It is essential that you possess the ability to communicate with and influence others, at all levels in the Group.

In return for your commitment, you can look forward to the career prospects you would expect from an organisation of our calibre and a flexible salary and benefits package (including relocation where applicable) which you can tailor to meet your personal needs.

To apply, send a comprehensive CV, including details of current remuneration, to: Jacqueline Cornell, Personnel & Organisation, Allied Dunbar Assurance plc, Allied Dunbar Centre, Station Road, Swindon SN1 1EL.

ALLIED DUNBAR

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EAGLE STAR

Espr!t

We are committed to Equal Opportunity and welcome applications from all sections of the community.

COUNTRY CONTROLLER

Middle East/ Far East

Expat Package

Schlumberger

Established in 1919, Schlumberger has grown into a multi-national corporation operating in all the continents of the world.

Through its two main sectors of Oilfield Services & Measurement and Systems, the Company has an enviable track record for providing growth. The Group employs 57,000 people, has an annual turnover of nearly $9bn, and produced a profit in 1996 of $0.9bn.

The Role:
Due to continued worldwide expansion, Schlumberger is looking to recruit a Country Controller within the Middle/ Far East. This position will involve working alongside general management in order to grow the business. The main function will be to provide financial information to the business unit, predominantly from an analytical standpoint.

The Candidate:
Schlumberger offers an excellent opportunity to join a high profile company with a strong work ethic where drive, ambition and a desire to succeed are all essential qualities. You will possess a recognised accountancy qualification and/or an MBA. This multi-cultural environment requires you to demonstrate excellent communication skills combined with an analytical approach. The ideal candidate will be fluent in at least one international language, furthermore, a Middle/Far East dialect would be a distinct advantage but not essential.

In return, you will be offered an expat package in conjunction with the prospect of a challenging and exciting career.

Interested candidates should apply with full career details to Chris Harding or Gillian Bowsher at Harrison Willis International, 39-40 Albemarle Street, London W1X 4ND, United Kingdom.
Tel: +44 171 344 5146.
Fax: +44 171 344 0361.
E-mail: international@hwgroup.com
Internet: www.hwgroup.com

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GROUP FINANCE

Salary CHF 115,000 + Relocation +

Our client is a high technology manufacturing business which holds the number one position in each of the market segments in which it operates. The Group is headquartered in Zug, Switzerland with production facilities in Europe and USA, and further offices worldwide.

As part of a major programme to improve the efficiency of financial and management reporting systems across the organisation, they are looking to appoint an individual with responsibility for the ongoing development and implementation of this programme. The successful candidate will join a small, highly professional and proactive team responsible for all aspects of financial management and control of the Group.

A key element of this challenging, hands-on role will be the development of accounting policies, procedures and management information, with particular emphasis on

For further information, please contact Louis Tomazou (quotin
on (+44) 171 209 1000 or send/fax your CV to FSS Financial, Ch
House, 14 Windmill Street, London W1P 2DY. Fax: (+44) 171 20
E-mail: lt@fss.co.uk or visit our website at www.fss.co.uk

FSS FINANCIAL

Finance Director

Young, fast developing plc

North West **c.£70,000 + Bonus + Benefits**

One of the success stories of the 1990s, this quoted group, capitalised at £300 million, has firmly established itself as the leader in its field. The company has gained an enviable reputation for innovation and is set to continue its remarkable growth by capitalising on opportunities in the UK and abroad whilst also establishing a wider group base.

This position has been created directly as a result of group re-organisation. The role will encompass all aspects of financial management of the group with specific financial control of the principal subsidiary and the company secretarial functions. Key tasks will include:

- providing business financial vision, advice and control;
- developing and implementing the company and group financial strategy and evaluation of group investment opportunities;
- contributing to broad business development as part of the executive management team.

The successful candidate will be a graduate calibre and energetic qualified accountant with a proven track record of strong financial management. The selected individual must be capable of motivating others in pursuit of customer service and business excellence whilst ensuring accuracy of reporting within an expanding and fast moving environment. A positive approach to achieving business objectives together with first class communication skills will enable the person to contribute fully to the enthused and dynamic team approach to the business.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 97889N on both letter and envelope, and including details of current remuneration.

GKRS

PARK HOUSE, 6 KILLINGBECK DRIVE, LEEDS LS14 6UF.
TEL: 0113 248 4848. FAX: 0113 248 4852.
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CORPORATE FIN

c£45,000 + Excellent Benefits

The ICI Group is one of the largest chemical companies in the world, with international strengths in coatings, speciality chemicals, materials and industrial chemicals. ICI aim to produce consistently high standards of performance through market leadership, technological edge and a world competitive cost base. Its vision is to be the industry leader in creating value for customers and shareholders.

As part of the Corporate Finance team based at the Group Headquarters, you will work closely with senior business and functional management. You will be involved in corporate projects from concept to completion and will be responsible for providing advice and support to businesses covering:-

- Acquisitions • Divestments
- Financial Structures • Financial Arrangements • Joint Ventures

ICI

If you have the necessary qualities and would like to be considered for this c Dawn White (quoting ref: FT0159) at FSS Financial on 0171 419 0213 (direct li FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY. Fax: 01 E-mail: dw@fss.co.uk or visit our website at www.fss.co.uk

FSS FINANCIAL GROUP

CORPORATE CONTROLLER

Leading financial technology firm seeks a corporate controller to work in their NYC headquarters. The position requires excellent business & communication/ people skills with the ability to handle multiple projects including budgeting, forecasting, financial analysis, internal auditing, cost accounting, contract management, billing and collections. You must be a self-starter, hands-on, motivated individual who is dedicated and hard working with a history of success. The position requires a minimum of a BA in accounting (CPA & MBA a definite +), a minimum of 5 years experience in the financial Industry (technology industry knowledge also a +), and proficient in the use of computer accounting systems. We offer a competitive salary and a progressive benefits package. Please forward resume with salary requirements to: Dept 1812, 902 Broadway, 10th fl, New York, NY 10010

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Keeley Pope on 0171 873 4006

Financial Times

APPOINTMENTS WANTED

INTERNAL AUDIT/FINANCIAL CONTROL MANAGER

Heavyweight finance professional (CA + FIIA) with many years varied world leaders experience (consulting, banking, service & airline industries). Brit & Swiss (47), working German & French. Is used to travelling extensively. Works in Zurich but could relocate. Desires a permanent, contract or consulting role.

TEL: 00 41 1734 30421

ASSISTAN FINANCIAL C

LONDON

Our client is a pan European industrial group and a leader in manufacturing light-metal components and systems for the automotive and telecoms industries. Since its launch three years ago, the company has experienced very considerable growth through acquisition and now has an annual turnover of £160 million. The holding company is based in London and has 6 European manufacturing subsidiaries.

To keep up with this growth, the company is now looking to appoint a dynamic individual who will play a prominent role in the growth and future development of the business. Reporting directly to the Group Financial Controller, your key responsibilities will include:

- Improving financial management disciplines and implementing strict group wide financial controls
- Implementing a new reporting system ensuring uniformity of accounting policies

For further information please contact John Copeland at FSS Fi reference FT0164, on 0171 209 1000. Alternatively, send/fax or to him at FSS Financial, Charlotte House, 14 Windmill Street, Lo Fax: 0171 209 0001. E-mail: jc@fss.co.uk or visit our website at

FSS FINANCIAL

FINANCIAL SERVICES – INSURANCE SENIOR ACCOUNTANT

Paris — **Attractive package**

Exciting opportunity to join a recently formed pan European speciality lines underwriting operation, part of a major US corporation with an outstanding reputation in its field.

The Company specialises in the writing of liability insurance in the US and now in Europe out of three major centres. The corporate infrastructure is based in the US and there is now a need to appoint a senior accountant "on the ground", based in Paris, to establish and administer the full range of accounting, financial and reporting disciplines for all three offices.

The role reports to the President in Paris with a dotted line to the US headquarters and embraces the entire function; specifically this includes multi-currency accounting and reporting, tax and statutory filing, and co-ordination and liaison with outside advisors.

Candidates must possess an accounting qualification (and/or degree), fluency in English, French and/or Dutch as well as a minimum of 3 years experience in a relevant environment, preferably in the property / casualty market. Strong IT and interpersonal skills will be required, together with a familiarity of the accounting conventions in European countries.

Please apply with career details quoting ref 3076FT to Waggett & Co, 20 Savile Row, London, W1X 1AE. (Fax 00 44 171 439 0222)

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Following this period of phenomenal growth and development two opportunities have arisen to join this dynamic finance team based in their new European head office located in Hammersmith.

Both positions will provide a challenge from day one.

The Financial Accounting Manager will manage and lead a team of six, controlling monthly group and local management information. When year end arrives you will be required to ensure all statutory requirements are met and liaise with all necessary external bodies. While all this is going on senior management will look to you to manage, review and prepare information to enhance decision making within the organisation.

The Accounting Controls Manager Again man management is key, leading a team of ten. Identifying investigating and reporting on non-compliance of policy leading to the design of a range of procedures and processes for appropriate line management. You will have the presence and ability to source and manage external business partner/supplier relations, whilst investigating current practices and identify cost savings.

Clearly, high calibre candidates are sought for these demanding and rewarding roles within international finance. Applicants will be qualified accountants with 2-6 year PQE who possess a strong track record in hands-on financial management within a large International Group. You will have an affinity with the retail industry and international business culture coupled with knowledge of US GAPP. A second European language is desirable.

Interested candidates should contact retained consultant Ryan Elliott on 0171 344 5193, or write enclosing a full CV and covering letter to Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 4ND. Please quote reference LRTDS. Fax: 0171 344 0361. E-mail: ryan.elliott@hwgroup.com Internet: www.hwgroup.com

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FINANCIAL CONTROLLER

Guildford

Attractive Salary Package

DENNIS

The Dennis Group is a world leader in the design and manufacture of specialist vehicles for selected international markets. By maintaining a sharp focus on their chosen markets and staying close to customers they are able to deliver innovative designs with superior operating performance.

The Group's goal is to deliver consistently above-average growth in earnings through a combination of organic growth in existing markets and penetration of new sectors with related products both at home and overseas. Dennis has confirmed its position as the UK's principal bus supplier with some 42% of buses registered in 1997 bearing the Dennis marque.

An excellent opportunity has arisen to join their main operating division based in Guildford. Reporting to the Finance Director and working closely with the senior management team the role encompasses the following:

- Responsibility for the accounting function, ensuring strict controls and procedures are adhered to;
- The provision of accurate financial information, including management accounts, budgets and forecasts;
- Managing and developing the finance team;
- Controlling systems and procedures for overseas operations in Europe and the Far East, necessitating a degree of travel.

The successful candidate must be able to demonstrate good man-management skills and proven commercial acumen.

A qualified accountant with at least 3-4 years' PQE you will be technically strong and have a "hands-on" approach.

Manufacturing experience, although not essential, would be advantageous. This well established group offers excellent career progression.

Interested applicants should contact Claire White, at Harrison Willis, 10 Quarry Street, Guildford, Surrey GU1 3UY. Tel: 01483 303300. Fax: 01483 303799. E-mail: guildford@hwgroup.com Internet: www.hwgroup.com

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TRAINEE FUND MANAGER

M&G

EXCELLENT PACKAGE

M&G Group P.L.C., an independent company listed on the London Stock Exchange, was established as an investment management company in 1931. The Group markets investments to the public through a wide range of unit trusts, PEPS, investment trusts and unit-linked life and pension policies and also provides investment management services to company pension funds, charities and other institutional clients. The Group now has £19.4 billion under management and over 800,000 customers.

M&G has a distinctive investment philosophy based on a reluctance to follow fashion, a bottom-up approach to stock-selection and a long-term view of investment and performance.

In order to complement its existing skill base, the UK desk now wishes to recruit a recently qualified Chartered Accountant to join its Fund Management team. Top 6-trained, candidates will demonstrate a proven track record of achievement to date and a clear indication of interest in investment and/or fund management. Though a clean pass record and first-class academics are a pre-requisite, of greater importance is the ability to assimilate and communicate ideas and establish effective working relationships with clients. Confident and motivated, the successful applicant will assume genuine responsibility at an early stage.

For further details, please contact M&G's advising consultant Adrian Thompson at Hall Alexander on 0171 240 2101 quoting ref: ALT958 or write to him enclosing an updated curriculum vitae to the address shown below. You may also e-mail: adrian.thompson@hwgroup.com

Hall ALEXANDER
Financial Recruitment Consultants

HW HALL ALEXANDER A BRAND OF THE HW GROUP — 114 St Martin's Lane, Covent Garden, London WC2N 4AZ Tel: 0171 240 2101 Fax: 0171 240 2060 E-mail: info@hallalexander.co.uk — INVESTOR IN PEOPLE

FINANCIAL CONTROLLER

Herts

c.£40,000 + Benefits

Our client manufactures, sells and services some of the world's most up-to-date scientific instruments utilised in both the medical and industrial sectors. With its parent based in Japan and businesses in many countries throughout the world, recent corporate strategies included the strengthening and expanding of its sales and service activities in Europe. To this end the organisation is now looking to recruit a Financial Controller for it's UK business.

Reporting to the Managing Director, your remit will cover all aspects of the finance function plus information technology. It is anticipated that this role will lead to a Directorship in the medium term.

Key responsibilities will cover the following areas:

- The provision of detailed periodic management information coupled with the control of the transaction processes;
- Implementation of a new computer system;
- Development of internal controls and procedures to effectively control the assets of the business;
- Producing year end and statutory accounts including liaison with external auditors;
- Continual development and motivation of subordinate staff.

This exciting new role would ideally suit a qualified finance professional with at least 15 years post qualification experience who is looking for a hands-on role and the opportunity to play a leading part in the future development and success of this business.

You will be:

- ACA, ACCA, ACMA qualified;
- Experienced in both implementation and development of IT systems;
- Enthusiastic with a proactive and helpful nature;
- Technically strong with a common sense innovative approach to financial control issues.

Interested candidates should submit their full CV to Paril Kotecha or Richard Baker ACMA at Harrison Willis, 47 London Road, St. Albans, Herts AL1 1LJ. Tel: 01727 840660. Alternatively, details can be faxed on 01727 840662. E-mail: richard.baker@hwgroup.com Internet: www.hwgroup.com

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IT Appointments